

## Israel Attacks Arafat Forces As PLO Chief Prepares Pullout

By Joseph B. Treaster

New York Times Service

TRIPOLI, Lebanon — Israeli gunboats and helicopters on Friday attacked Palestinian positions in Tripoli, and Yasser Arafat, chairman of the Palestine Liberation Organization, appealed to the United Nations for security guarantees on the sea lanes.

The PLO leader also asked France and Greece to reinforce their escort for the ships that are to

take Mr. Arafat and his men out of Tripoli possibly next week.

Ahmed Abdel-Rahman, one of Mr. Arafat's senior aides, said the Israeli attack early Friday morning against a lightly manned coastal position had put "an obstacle in the face of our withdrawal, so we are asking for new measures to protect our withdrawal."

Mr. Arafat said he was continuing with plans for his departure and indicated he did not believe the Israeli attack would cause significant delays.

## OPEC: A Relative Peace

Ministers Manage to Avoid Price Cuts, Quota Changes and Public Bickering

By Bob Hagerty

International Herald Tribune

GENEVA — The Organization of Petroleum Exporting Countries met here for four days this week and decided to leave bad enough alone.

Oil ministers from the 13 OPEC nations did not change their prices. They did not adjust their production quotas. They did not solve the internal squabbles that have weakened the organization for years. In a minor triumph, however, they also avoided bickering in public.

Last January another OPEC meeting in Geneva ended with Sheikh Ahmed Zaki Yamani, the Saudi oil minister, storming out and telling journalists that the exercise had been a "complete failure." Two months later, weak demand led OPEC to make the first price cut in its 23-year history, reducing the benchmark to \$29 from \$34.

This week's meetings, which came amid renewed pressure for price cuts, were far less acrimonious. Even the Iranians, sometimes given to fiery rhetoric, seemed conciliatory.

Mohammed Gharazi, the Iranian oil minister, was asked Friday whether he believed the Saudis would help prop up prices by keeping their production down.

"We hope that God helps them to keep their promises," a grinning Mr. Gharazi said through a translator.

The relative peace does not remove the threat that OPEC will have to make new price cuts. But some OPEC observers said it would help.

"It's at least going to contribute something to stability," said Jim Tanner, editor of Petroleum Information International, who described himself as amazed by the relaxed atmosphere of the meeting.

The show of unity appears to reflect a realization that OPEC cannot afford to squabble as much as it has in the past.

"Two years ago, three years ago, life was easy," Kamal Hassan Magur, Libya's oil minister and OPEC's new president, said in an interview Friday. "Now it becomes a very serious business to be an oil minister."

Whether oil prices fall again next year depends largely on events outside OPEC's control. Among them are the weather, which determines demand for heating oil, and the strength of the economic recovery. OPEC, which accounts for only about one-third of oil sales in the non-Communist world, no longer has the predominating influence it had in the 1970s.

The next test of OPEC's resolve is likely to come this month. Britain, which is not a member of OPEC, is under pressure from some of its customers to cut its prices in the first quarter of 1984.

The most widely traded crude from the British North Sea, Brent, was quoted Friday on the spot market at \$28.55, up 10 cents from mid-week, according to Platts' Oilgram. The official selling price is \$30.

A British price cut would place severe pressure on Nigeria, whose crude competes directly with that of Britain. Some traders predict a

return of last winter's events: A British price cut prompted Nigeria to cut its prices without waiting for OPEC's blessing.

To alleviate the pressure for price reductions, OPEC needs to improve its credibility as an organization.

### NEWS ANALYSIS

zation capable of limiting the production of its members, some of which are desperate for more export income.

OPEC chose to paper over its long-standing disagreements at this week's meeting. Saudi Arabia says it wants to keep prices at the present levels at least through the end of 1983; other members want to push for price increases as soon as possible.

In addition, the Saudis still refuse to commit themselves explicitly to a production ceiling; the agreement implies that they will produce no more than five million barrels daily. And the ministers again failed to choose among four rival candidates to preside as secretary-general over OPEC's secretariat in Vienna. The post has been vacant for nearly six months.

These differences are likely to continue to impair OPEC's influence over the market, but the obstacles of the group that were written last winter have proved premature.

Alfio Parra, a Venezuelan who is one of the four candidates to be OPEC secretary-general, said Friday: "Expectations of a permanently weakened and disabled OPEC must be treated with skepticism."

The accounts of the attack and the Palestinian response varied widely. Some witnesses said the Israeli fired only about 20 shells from naval guns and that the attack lasted only a few minutes. Others said the Israeli guns fired for about an hour and delivered hundreds of shells.

Mr. Rahman said one Palestinian soldier was killed and three were wounded. Later, Mr. Arafat said three soldiers had been killed and four wounded.

### ■ Israel's Comment on Attack

An Israeli official said the Tripoli operation "should not be seen in the context of Israeli preparations to prevent Arafat leaving," Reuters reported from Tel Aviv.

It was the first Israeli naval attack on the PLO since last year's Lebanon war. Western diplomats had said it underlined Israel's capability to disrupt the planned evacuation of Mr. Arafat's 4,000-strong forces from Tripoli.

### ■ Greeks Ask for Guarantees

Greece has asked the multinational peacekeeping force in Lebanon to guarantee the safety of 4,000 PLO fighters during their planned departure from Tripoli aboard Greek passenger ferries. The Associated Press reported from Athens.



Danuta Walesa, and her son Bogdan, 13, were welcomed Friday at Oslo airport by Egil Aarvik, the chairman of a Nobel prize committee, when they arrived from Warsaw.

## 'A Little Bit Afraid,' Danuta Walesa Arrives in Oslo for Nobel Ceremonies

By Peter Osnos

Washington Post Service

OSLO — Danuta Walesa arrived here Friday to collect her husband's Nobel Peace Prize, which she said was an honor for "Polish mothers of Polish workers" and not the Walesa family alone.

Mrs. Walesa, 34, is on her first trip to the West without her husband, the leader of Poland's banned Solidarity trade union movement.

He decided not to come to Oslo because of the possibility, he said, that the Polish authorities might not let him return and because he could not "drink champagne" while hundreds of Solidarity activists were still in prison.

For Mrs. Walesa, who was raised in a small Polish village, and her son Bogdan, 13, eldest of her seven children, the tumultuous arrival of Mrs. Walesa has been daunting.

Whisked from the airport reception in a limousine, she was thrust before a crowded press conference and acknowledged that she was "a

little bit afraid" as reporters bombarded her with questions for more than an hour.

Describing herself as "just a mother of children" and "basically a kitchen manager," she avoided making political statements. But whatever flutters she may have felt, Mrs. Walesa handled the session with aplomb.

The prize, she said, was a "great joy for Poland" but its only effect on the Walesa family has been a "few more headaches, less time for my children."

She will accept the Nobel award at a ceremony Saturday and make a short statement of thanks written by her husband. He has also written a Nobel lecture that will be read Sunday by a Solidarity activist living in the West. Mrs. Walesa has hoped that Mrs. Walesa could be accompanied by one of his close aides, Tadeusz Mazowiecki, but the authorities refused to allow him to leave.

Mrs. Walesa and Bogdan are staying in a suite at Oslo's Grand

Hotel. In the morning they will be received by King Olav V, and in the evening they will be feted at a banquet. She will not meet with members of the Norwegian government.

According to Jakob Sverdrup, director of the Nobel Institute, the peace prize for Mr. Walesa has been one of the most publicly acclaimed in the history of the awards.

"This award was not a political provocation," Mr. Sverdrup said. "We hope that it can contribute to developments that will lead to a better life for all Poles."

In her remarks, Mrs. Walesa sounded a similar theme, saying that she had not anticipated "how important the prize would be for Poland."

At home, Mrs. Walesa has been a stabilizing force for her family, since her husband was transformed in 1980 from an electrician in the Gdańsk shipyard into the leader of the strongest popular movement of its kind in the history of Communist Europe.

## U.S. Sues Shell for Colorado Pollution

By Mary Thornton  
Washington Post Service

WASHINGTON — The Justice Department on Friday sued Shell Oil Co. for nearly \$1.9 billion to pay for cleaning up dangerous chemical pollution on lands the company leases at the U.S. Army's Rocky Mountain Arsenal near Denver.

The lawsuit, described by Assistant Attorney General F. Henry Habicht, 20 as the largest ever filed by "any federal agency that seeks damages for natural resources," was filed in U.S. District Court in Denver at the request of the army.

T.R. Williams, Shell's manufacturing and environmental conservation manager, said the company would "vigorously oppose" the lawsuit and that the \$1.9 billion figure was higher than would be justified by any studies at the site. He added that the army owned and operated the waste disposal facilities at the Arsenal.

Bill Lafield, Shell's manager of public relations, said the company did not deny responsibility for some chemical contamination at the site, which he said had a chemical plant used to produce agricultural pesticides and herbicides.

He said, "Obviously we were there, and some of the contamination is obviously ours." He said Shell had been working with the army for some time "to develop a plan for cleanup."

The government said some chemicals "are extremely toxic and hazardous to human, plant and animal life" and that they have been spilled, leaked, pumped, poured, dumped and released into the environment, "including the air, land, ground water and surface waters, on and off Shell's leased property on the Arsenal."

In addition to the problem of chemical pollution on the lands leased by Shell, the problem of assessing responsibility has been complicated because the army has

used other portions of the arsenal to test and dispose of explosives and various chemical agents.

According to the federal lawsuit, Shell and a predecessor company leased land at the Arsenal and dumped dozens of toxic chemicals at the site from 1947 until 1982.

It listed 43 hazardous chemicals manufactured or used by Shell at the leased facility on projects unrelated to military uses.

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The mission went smoothly before the electronic problems on the last day. Five hours before the original touchdown time, a double

(Continued on Page 2, Col. 4)

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## OBSERVER

## Thinking the Thinkable

By Russell Baker  
NEW YORK — I have been sitting here for 90 minutes thinking about what to say. This is not a whine about the difficulty of the writing trade. To the contrary. Having any time at all to think before you talk nowadays is a luxury, and having 90 minutes makes you as rich as Croesus, at least in terms of thinking time.

The 20th century seems determined to eliminate the gap between thought and word, as well as between thought and deed. Before long, at the present rate of progress, the world will be governed by words and acts based on no thinking at all.

Anyone who has ever appeared on television will know what I'm speaking about. Some years back, I submitted to a television interview — never mind why — by a woman who followed the news. The news that year included public brassiere burnings by demonstrators for women's equality.

I was sitting there, lights glaring, cameras staring. Lord knows how many people out there in their parlors and kitchens looking at me. It flusters you, television, and I was having trouble remembering my own name when the interviewer asked, "How do you feel about brassieres?"

At one time in history a man, asked how he felt about brassieres, might compose himself by taking a long walk and doing some heavy thinking, especially about whether he even ought to answer that question, and come back a few hours later with a sensible response. This was impossible now. We had television. I was it.

My instinct was to sit there and think for 90 minutes, but I was reasonably sure the punishment for anyone who spent 90 minutes thinking in front of a television camera was hanging, or worse.

And so I said something. I don't remember what. I didn't even know at the time what I was saying. It was a simple-minded case of the tongue operating out of control by the brain. Whatever it was, the interviewer gasped and quickly changed the subject, and when I finally left the studio everyone stared at me with such loathing that until four paragraphs ago I had

never since been able to think of brassieres.

Television's refusal to allow thought before speech is only one example of fancy technology's power to make us say and do things no thinking person would dream of doing or saying. Here, for instance, is a recent technological miracle: a quartz wristwatch.

Here is terrifying progress. It never loses or gains a minute. It never has to be wound. So what do you do when a friend with a bad womanizing habit suddenly braces you, saying, "I've just got to have \$200 to make my car payment by tomorrow. Will you lend it to me?"

Until the quartz watch came along, you could slowly unstrap the old stem-winder from your wrist and laboriously wind it. That gave time to think.

The quartz watch makes this impossible. Now when confronted by the gall of this Don Juan trying to gouge you for \$200, instead of calming down by thought-provoking fiddling with your antique wristwatch, you can only blurt, "If I had it to give, you'd just squander it on an Astor Park weekend with one of those bimbos."

How about the cordless telephone? You can carry it with you. Hurrah! You're up on the roof, you can take telephone calls without coming down. In the old days your wife had to call up: "It's Cousin Arthur. He's coming to town and wants to know if he can sleep on the couch for a few weeks."

You had time to think. "Tell him I'm coming right down." You could sit there thinking. Then: "Tell Cousin Arthur I just fell off the ladder and have to go to the hospital, but I'll call him back in a couple of weeks."

With the cordless telephone, Cousin Arthur now reaches you immediately on the roof. With no time to think, you probably surrender. Or maybe you're so rude that he cuts you out of his will. The sensible thing, on first hearing Cousin Arthur's voice on the telephone, is to throw the cordless telephone into the next block.

Of course, if you were the president and Cousin Arthur was a general announcing that incoming rockets were due in 25 minutes, that wouldn't help much, would it?

New York Times Service

## Jacques Vergès

By Brendan Murphy  
*International Herald Tribune*

PARIS — In August 1944, as Klaus Barbie was retreating from Lyons, where he had commanded the local Gestapo headquarters since 1942, the man who nearly 40 years later would assume his legal defense was approaching the city from the south with the French forces that were to liberate it on Sept. 3.

That historical conjunction is but one of the ironies connected with Jacques Vergès, 58, the iconoclastic, leftist French lawyer who last May took the case of the aging Nazi charged with crimes against humanity.

Vergès doubts that the case can be won in a French court, but this former counsel for Algerian rebels in France's last colonial war, the man whom the Paris daily *Le Monde* calls a "master provocateur," has already shocked French sensibilities with his defense tactics.

Vergès drew bitter reactions when he claimed recently that Jean Moulin, the Resistance hero, did not die in 1943 as a result of injuries inflicted during interrogation by Barbie. Moulin, said Vergès in a statement calculated to open old and painful wounds, killed himself in despair at his betrayal by rivals within the Resistance. Vergès said there was a "conspiracy of silence" by Resistance survivors on this point.

Available evidence suggests strongly that Moulin was fatally beaten by Barbie, and former Resistance members excoriated Vergès for besmirching the memory of the Resistance. Others pointed out that the charges pending against Barbie do not include the murder of Moulin.

But Vergès had already made it clear that he would spare France no anguish in the Barbie case and demonstrated his willingness to resort to a potent emotional arsenal in defense of the man known as "the butcher of Lyons."

Asetic and self-possessed being wire-framed spectacles, with olive features and jet black hair reflecting his French-Vietnamese extraction, Vergès calls this "la défense de la rupture" — a strategem of confrontation rather than what he calls "conscience" with the legal system.



The Associated Press  
Jacques Vergès: "They cannot silence me."

Does he believe that any combination of tactics can possibly produce an acquittal for Barbie?

"In a fair court, yes," Vergès said in a recent interview in his office in the Montparnasse section of Paris. "Before a French court in 1984, certainly not."

The trial, in which the former SS officer, now 70, will face at least eight charges of crimes against humanity for the alleged arrest, torture, deportation and murder of civilians — and particularly Jews — in and around wartime Lyons, is not expected to take place until 1985, according to a recent statement attributed to a top justice official.

This official accused Vergès of stalling by filing preliminary motions demanding Barbie's release, with appeals to higher courts upon their rejection.

## The Lawyer Who Will Defend Klaus Barbie

## Is Determined to Put Wartime France on Trial

has nearly always stood outside the mainstream of French society.

Born in Thailand, the son of a French colonial official and a Vietnamese woman from Hué, he enlisted at the age of 17 in the Free French Forces of Charles de Gaulle in London, later fighting in North Africa, Italy, France and Germany.

After the war he joined the Communist Party. Though he was to leave it 10 years later, this marked the beginning of a long involvement with leftist causes particularly in the Third World.

He holds Algerian citizenship and is married to, though now separated from, an Algerian whom he defended at the time of the war.

He says his decision to take on the Barbie case followed logically from his FLN involvement and his wartime service in the French external Resistance.

But some observers accuse Vergès of wickling the Barbie case in a calculated campaign of leftist intellectual "terrorism" directed against French society.

A recent cover story of the center-right Paris weekly *Le Point* entitled, "Barbie, the Venom," quoted one lawyer for a national organization against racism and anti-Semitism as saying the Barbie case was just a pretext for Vergès to "denounce our institutions and the methods of our state."

Whatever his motives, Vergès clearly aims to make the trial of Klaus Barbie an ordeal for the French and says he cannot be prevented from raising whatever points he believes are relevant to the case.

Vergès says that although the presiding judges in the trial may refuse to allow his questions to be answered by witnesses, they cannot prevent him from posing the questions — nor from commenting publicly on their refusal.

"They cannot silence me," he says, "and the press will be there. Such a trial will take place geographically in the courtroom, but it will take place politically before public opinion in France and around the world. They cannot prevent me from giving the trial the dimensions I wish to give it."

## PEOPLE

## Cabbage Patch Revenge

It is unbelievable, dreadful, wonderful to be back in my own language, among my own buddies at the theater where I grew up," says a man said as rehearsals got under way Wednesday. He was in self-exile in 1976 after a two-month ordeal with tax authorities that sent him to a hospital with a nervous breakdown before he won his case.

A vacation postcard of the Gold on Gate Bridge triggered more than the usual envy for auto mechanic John Gossen in Syracuse, New York. Gossen was carrying \$750 in cash while riding his motorcycle Nov. 20 on his way to buy a car. The money blew out of his pocket while he was going down the road. Gossen retraced his steps and found \$120. Someone else turned \$3,120. Gossen publicized a plan for the remaining \$4,260, but did not hear from anyone until the week when he received a postcard from California: "John, Weather Great — It took me a while to find out who to thank for this great vacation. However, I did, thank you. It was like 7th heaven picking and gathering loose change on the highway, which, as I found out, was from you. Anyway, thanks again, having a great time. Sincere, Thankful."

The physician Carlo Rubbia, who says "physics is fun," was named scientist of the year by *Discover* magazine for his discovery of two elementary particles of matter. Rubbia's discovery of W and Z particles confirmed the theory that the electroweak force, a fundamental force of nature, must be transmitted by three "heavy" photons.

The magazine said he "brought the center-right Paris weekly *Le Point* entitled, "Barbie, the Venom," quoted one lawyer for a national organization against racism and anti-Semitism as saying the Barbie case was just a pretext for Vergès to "denounce our institutions and the methods of our state."

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The Swedish film director Ingmar Bergman is back on the same Stockholm stage from which he was dragged nearly eight years ago when policemen arrested him for alleged tax fraud. Bergman, 65, is making his comeback this week at the Royal Dramatic Theater by staging Shakespeare's "King Lear."

"To be really quite honest, I think

a letter from the American public to say the film had boosted sales 20-fold," said Spooner. "We are now making frantic efforts to get it back into the shops in time for the weekend."

Laurence Olivier is reported in "very satisfactory" condition in London hospital after undergoing a two-hour kidney operation.

Colin Spooner, a publisher whose last modest success was a cookery book is frantically trying to organize a rerun of a forgotten title which didn't sell well in Britain. Spooner, who runs his publishing business from his farm near Duxford, England, holds the British rights to the "The Day After Midnight," the book-on which the U.S. television film of nuclear devastation. "The Day After," is based. Despite widespread publicity about the controversial film's U.S. screening and its British TV showing scheduled Saturday night, "it only dawned on me when I had

a letter from the American public to say the film had boosted sales 20-fold," said Spooner. "We are now making frantic efforts to get it back into the shops in time for the weekend."

Laurence Olivier is reported in "very satisfactory" condition in London hospital after undergoing a two-hour kidney operation.

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## U.S. and Soviet Scientists Agree That Nuclear War Could Destroy Mankind

By Philip Shabecoff

New York Times Service

WASHINGTON — A group of Soviet and U.S. scientists have agreed that a large-scale nuclear exchange could mean the extinction of the human race.

Four Soviet and four American scientists, participating in a forum sponsored by proponents of a nuclear freeze, said Thursday they based that assessment on emerging data about the probable climatic, biological and environmental effects of a nuclear war.

They also agreed that the new evidence made it clear a nuclear attack would be suicide for the nation that launched it, even if there was no retaliatory strike.

The forum, held in the Senate Caucus Room, was called by Senators Edward M. Kennedy, Democrat of Massachusetts, and Mark O. Hatfield, an Oregon Republican.

The Soviet scientists said their own studies confirmed recently published American findings that an exchange using only a small fraction of existing warheads would produce a "nuclear winter" in which smoke and soot would obscure sunlight, temperatures would plunge to below freezing levels even in summer, crops and other ecological systems would be wiped out, radiation would be several times more intense than previously estimated and, when the pall lifted, ultraviolet rays from the sun would reach untenable levels.

The Russians said their research indicated additional catastrophic consequences, including the creation of a global "toxic smog," unchecked biological epidemics, a substantial depletion of the Earth's oxygen supply, and the probable

shattering of the interconnecting web of systems that sustain life on the planet.

All eight scientists said the new evidence made it imperative that the superpowers freeze construction of new nuclear weapons and begin reducing their existing stockpiles.

Sergei Kapitza, professor of physics at the Moscow Physico-Technical Institute, said that until now the idea of nuclear arsenals as a deterrent to nuclear war made some sense as a "tacit mutual hostage arrangement between the opposing nuclear powers."

"Now," he said, "the whole of the Earth and human civilization itself are held hostage." Any growth of nuclear arsenals would only erode security and stability, he added, not only for the nuclear powers but for every country on Earth.

Lewis Thomas, chancellor of the Memorial Sloan-Kettering Cancer Center, said the new American findings had been upheld after review by other scientists and "change everything in the world about the prospect of thermonuclear war."

In the past, war, including thermonuclear war, was thought of as a way to achieve territorial or ideological dominance, he said: "Now, with the new findings before us, it is clear than any territory gained will be in the end, a barren wasteland."

Both the Soviet and American scientists said civil defense measures and technology that envisioned countering nuclear missiles with laser weapons could not conceivably prevent the destruction of a nuclear war and that entertaining such ideas could be dangerously destabilizing.

The Russians said their research indicated additional catastrophic consequences, including the creation of a global "toxic smog," unchecked biological epidemics, a substantial depletion of the Earth's oxygen supply, and the probable



Attending the Soviet-American forum on nuclear war that was held in Washington on Thursday were, from left, Senator Mark O. Hatfield, three Soviet scientists, Vladimir Alexandrov, Alexander Pavlov and Yevgeny Velikhov, and Senator Edward M. Kennedy.

## U.S. Naval Readiness Called Deficient Due to Misplaced Spending Priorities

By Richard Halloran

New York Times Service

WASHINGTON — Despite three years of rapidly rising budgets, the navy is far from ready to deploy fully armed and equipped aircraft carriers and air wings in the event of war, a confidential report by the General Accounting Office says.

The office, a congressional investigative agency, said the main reason was that the navy spent too much money on new ships and planes in the last three years and not enough on maintenance, fuel, ammunition and support equipment.

In response to the report, the navy said it had been trying for two years to overcome the effects of 15 years of inadequate allocations and was beginning to move closer to its desired state of readiness.

The accounting office report said that in two months after a war started only eight of the navy's 14 carriers could be put to sea ready for battle. It said those carriers could be deployed only by stripping shore bases of weapons and equipment.

The navy is required to have eight carriers ready for battle 33 days after the outbreak of a war and 12 ready in 44 days, the report said. In peacetime, the navy usually has five carriers in the Atlantic, Mediterranean, Indian and Pacific Oceans.

The report said that fewer than 60 percent of the navy's tactical carrier aircraft were ready for combat on any given day. Minimum requirements call for 70 percent to be ready.

Moreover, the rates of readiness

figured by the navy were inaccurate and inflated, the accounting office contend. Some aircraft that should have been counted were excluded and others were rated ready for combat even though they could not fly but not to fight.

The secretary of the navy, John Lehman Jr., vigorously disputed the implication that readiness was not a prime concern. Mr. Lehman, in an interview, said the situation when he took office three years ago: "We had very serious readiness problems through 15 years of underfunding. The day I was sworn in, we had 470 ships and we could not fill the magazines in those ships once, never mind reloads."

The secretary asserted that the navy had made a "fundamental allocation decision in the naval recovery program to make what we have fully ready." He said spare parts, support equipment and other items of readiness had taken more than two years to make and deliver. He said the navy was starting to recover and would continue if Congress voted the appropriations it requested for the next five years.

Secretary Lehman said the figure for eight carriers ready being ready for service in wartime was correct, adding, "But it was six when we came in." He asserted that readiness ratings for aircraft had also increased in the last three years.

In its report, which was completed late last summer, the General Accounting Office said that appropriations to buy new aircraft rose 33.6 percent, to \$1.2 billion, from 1980 to 1983 as the navy bought 14 Tomcat fighters to replace outdated F-4 Phantoms and began buying F-18 Hornets to replace A-7 Corsairs.

At the same time, however, the operation and maintenance budget for aviation rose only 10.4 percent, to \$4.6 billion. The Atlantic fleet, for instance, reported severe shortages of air-to-air missiles, kits for laser-guided bombs and air-to-ground missiles.

The investigative agency, which submitted the report to the House Government Operations Committee in a closed hearing last month, said the navy had begun to correct the imbalance, but, with current budget trends, it would not be rectified until 1988 or 1990.

The accounting office recommended that Congress scrutinize the 1985 navy budget, which will be submitted with the rest of the federal budget in late January.

The report omitted saying, however, that all navy budgets are approved by Congress, which has often cut readiness funds in favor of purchases that will cause money to be spent in the electoral districts of key members of Congress.

More immediately, the investigative agency's report meant that the navy would be hard pressed to have carriers ready for several crises at the same time. Two carriers are now deployed off Lebanon and others are occasionally sent to the Caribbean for a show of force.

In the first quarter of this year, according to calculations by the GAO, the navy's carriers were rated fully ready only 6 percent of the time. They were rated substantially ready 40 percent of the days in the quarter, and marginally ready 7 percent.

They were rated unfit for combat 15 percent of the time. The remainder of the days were for carriers in overhaul.

## Domestic Opponents of Sandinists Skeptical of Plans for Conciliation

By Loren Jenkins  
Washington Service

MANAGUA — Opponents of the ruling Sandinists have greeted the government's new campaign of national conciliation as a welcome "first step," but remain skeptical of its ultimate commitment to democracy.

They are those in power as it is now," said Sergio Roa, a member of the union's executive. "To have a real democratization we must have the full participation of the people in the process, and that has not yet occurred."

The Sandinists' answer to those who have opposed their policies since they came to power in 1979 is that as the country moves toward organizing national elections in 1985, more freedoms will be allowed so that "all political forces" in the country will have an ultimate commitment to democracy.

Talks with private businessmen, members of the small opposition political parties, priests of the dominant Roman Catholic Church, liberal journalists and independent unionists have indicated guarded optimism about the government's recent steps.

But like the Reagan administration in Washington, members of the domestic opposition express doubts about the government's good faith in creating a truly pluralistic political system that would guarantee the human and political rights of all the country's three million citizens.

"There definitely has been an opening of the government toward the private sector, the church, the press, the political parties," said a leading businessman who asked that his name not be published.

"But there are two basic problems that temper our feelings about them."

"First, there is a general lack of credibility in the Nicaraguan government by the dissidents, based on past promises that have been broken," he said. "Then, we don't really know yet how deep the opening is going to be."

Officials of the Nicaraguan Workers Congress, the country's largest independent trade union, on Thursday hailed the government's announcement of plans for an election but insisted that it must guarantee full political and personal rights and democratize its social and economic policies.

"For the democratization of the country to be effective, the democratization cannot just be determined

by those in power as it is now," said Sergio Roa, a member of the union's executive. "To have a real democratization we must have the full participation of the people in the process, and that has not yet occurred."

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## AMERICAN TOPICS

### Helping America Pay Its Creditors

Americans uneasy about the size of the national debt can do something about it — they can send in contributions to the U.S. Treasury to whittle it down, says the recently formed Citizens for a Debt-Free America. The national coordinator of the group, Kay M. Fishburn, hopes that donations will make up the slack after 1986, when a wealthy Texan's trust that channels interest on \$20 million to pay off the national debt comes to an end.

A law passed after the trust was bequeathed to the United States in 1961 allows the Treasury to accept debt-reduction contributions, which are income-tax deductible. Last year, citizens chipped in \$901,000. They have a way to go, though, with the national debt now standing at more than \$1.38 trillion.

**Sills Is Lyrical On Opera Rescues**

Back in August, with the New York City Opera's orchestra on strike and its season's opening postponed, General Director Beverly Sills said she was "seriously concerned about the future existence of the NYCO." But this month a beaming Miss Sills announced that the financially troubled opera company had received \$12 million in pledges, an amount that will give the company security over its next few seasons. "I can't think of a better Christmas

# CLASSIFIED INFORMATION

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In addition to the Classified ad columns on the Trib's last page, Classified space also runs in a number of regular advertising sections within the paper which appear on various days of the week: **Wednesdays - Business Opportunities; Thursdays - Executive Positions; Fridays - Real Estate, Holiday & Travel and Weekend Activities; Saturdays - Executive Positions, Schools and Universities, Art Galleries and Auction Sales.**

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**Herald Tribune**  
 Published with The New York Times and The Washington Post

## U.S. General Talks of Early Beirut Pullout

**Marine Commander's Remark Reveals Military's Desire to Minimize Dangers**

By Richard Halloran  
*New York Times Service*

WASHINGTON — The commandant of the U.S. Marine Corps, General Paul X. Kelley, has said that he is optimistic that the Marine Amphibious Unit in Beirut can be withdrawn from Lebanon early next year.

General Kelley, who made the remark Thursday, was the first senior military officer to indicate that a time and plan for total withdrawal of the 1,600 marines ashore was under active consideration. A Marine spokesman and administration officials emphasized, however, that no decisions had been made.

President Ronald Reagan, asked in a news conference Thursday whether the marines would be moved from Beirut International Airport, said, "There has been some talk for a long time about a change in assignment there and that still goes on."

Marine officers have suggested that the plans went beyond that to include a phased withdrawal of U.S. troops from Lebanon. Several options were being studied, they said, and gave this basic outline:

• Within a few weeks, the marine unit that is dug in at Beirut airport would be moved to a new site south of the city on the coastal road heading toward the ports of Sidon and Tyre. The marines would be out of the line of fire there and could establish better security.

• Sometimes early next year, the marines would move from that site back to their amphibious craft offshore, returning to the beach from time to time to reassure the Lebanese government that the United States was maintaining its presence.

• As the Lebanese Army became better trained and the Lebanese



General Paul X. Kelley

government gradually resumed control of the country, the marines could leave. Marine officers acknowledged that the military and political progress of the Lebanese was the most questionable assumption underlying the plan.

The officers said they expected the president and the National Security Council to discuss the plan shortly and make a decision soon. Administration officials have already said a proposal for the first phase would be welcomed in the White House.

The plan would have to be coordinated with the Italians, French and British, who also have troops in the multinational force in Lebanon. Secretary of State George P. Shultz met in Brussels Thursday with foreign ministers of those nations to discuss the situation in Lebanon.

The ministers agreed that the spokesman that the decision to

move the marines away from Beirut airport, in accordance with a plan being worked out by the Joint Chiefs of Staff, "is still up to the Joint Chiefs of Staff." On the phased withdrawal, the spokesman said that General Kelley wanted "to see what happened with one move before looking to the next."

The question was put to the general after he was quoted as saying at the opening of an art exhibition: "It's not going to be a happy Christmas. I'm not optimistic about getting them home by then, but I hope that by early next year the situation will be such that they can come home." His spokesman said the statement was accurate.

■ **2 Americans Hurt in Attack**

Moslem militiamen attacked U.S. positions at Beirut airport early

Friday with rocket-propelled grenades and small arms fire, wounding two American servicemen. United Press International reported from Beirut.

The marines returned fire with a rapid barrage of 40mm rifle-launched grenades and wire-guided Dragon anti-tank missiles, quelling the attack shortly after it began, a Marine spokesman said.

The wounded Americans, a marine and a seaman from a navy construction battalion, were among a group of soldiers clearing bushy along the airport's northern perimeter when Moslem militiamen opened fire with rocket-propelled grenades and small arms.

Lebanese government officials met Friday with the U.S. military attaché to the Middle East, Donald H. Rumsfeld, to discuss security matters. Mr. Rumsfeld arrived in Beirut Thursday for the first time since last Sunday's U.S. air raids on Syrian positions in Lebanon.

A statement by General Kelley, questioned

through a spokesman, said that he was "not optimistic" about getting the marines out of Lebanon before Christmas but that he was optimistic about withdrawing them within a few months after that. The total number of marines in the Lebanon contingent is roughly 2,000, including the 1,600 in Beirut and others on ships offshore.

The general said he hoped that the various diplomatic and political problems of the situation in Lebanon could be solved and that "the pieces of the puzzle can be picked up and put back together again."

General Kelley said through his spokesman that the decision to

### Policy of U.S. Called Threat To Arab Allies

By Joseph Fitchett  
*International Herald Tribune*

LONDON — A former U.S. ambassador to Saudi Arabia, James E. Akins, said Friday that attempts by the Reagan administration to "use Israel as an armed surrogate" could create threats to the political survival of pro-Western Arab leaders.

The risk of radicalizing the Arab world, he said, is the main danger to the stable outlook for oil supplies, particularly now that Saudi Arabia seems to have re-established its domination in OPEC. The Organization of Petroleum Exporting Countries, on a platform of oil-price moderation.

Mr. Akins, a private consultant who is considered a leading American authority on the Middle East, addressed an "Oil and Money" conference sponsored by the International Herald Tribune.

Mr. Akins attacked President Ronald Reagan's diplomacy as "incompetent" and said the president appears to have committed himself to supporting expansionist Israeli policies.

He said that Secretary of State George P. Shultz "seems to envisage Israel being our Cuba." This shift, he said, stems from domestic electoral pressures and a U.S. desire to hurt the Soviet Union by inflicting a military humiliation on Syria.

Mr. Akins said that Arab disarray has made this policy — and even attempts to break OPEC economically or by military occupation of the Gulf oil fields — sound more plausible than at any time since 1973.

U.S. pressure on Syria, however, forces other Arabs to rally, often reluctantly, behind Syria's president, Hafez al-Assad, thus increasing Soviet influence in the Middle East, he said.

If U.S. moves against Syria spark another Arab-Israeli conflict, he said, it would probably bring "catastrophic political changes in the Middle East in which any leaders known as friendly to the West would be unable to survive."

Mr. Akins, speaking of threats to oil supplies, warned that the Iran-Iraq war is likely to engulf Iraq's Arab allies.

Iraq has offered, with U.S. urging, to withdraw attacks on Iranian oil facilities with its new French missiles if Iran allows Iraq to resume oil exports. Mr. Akins said. He said he thought Iran would refuse this offer, and that escalation of the war is likely as a result, probably in the form of Iranian retaliation against oil facilities in Kuwait and Saudi Arabia.

Provided Western governments act cooperatively to prevent panic buying, Mr. Akins said, Iran would have to destroy 60 percent of oil export facilities in the Gulf to upset the world oil situation, and this is believed to be beyond Iranian capabilities.

Barring such an event, Saudi Arabia has offered an oil pricing plan that involves freezing oil prices until 1985, then indexing oil prices to inflation, and finally, perhaps in 1990, raising prices about 3 percent a year in real terms to match the cost of competitive energy sources by the end of the century.

This formula would mean a bottoming out of oil prices in 1985, then a gradual rise to allow the industrial countries to make a smooth transition to a new energy era. It is "close to ideal for both exporters and consumers of petroleum," Mr. Akins said.



RETURN TO ARGENTINA — Former President Isabel Perón greeted well-wishers on her return Friday to Argentina from self-exile in Spain to attend the presidential inauguration Saturday of Raúl Alfonsín. Mrs. Perón, who was deposed in a military coup in 1976, left Argentina in 1981. She plans to stay in the country until Monday.

## 2 North Koreans Get Death Sentence For Burma Attack on South Koreans

*The Associated Press*

RANGOON, Burma — Two North Korean Army officers were sentenced to death Friday for the bombing in October that killed 21 persons here, including several top South Korean officials.

One of the defendants had confessed that the bomb had been meant for President Chun Doo Hwan of South Korea, who was in Rangoon on a state visit.

Mr. Chun, who was late for a ceremony at the memorial north of Rangoon where the bomb had been placed, escaped the explosion. But 17 of his top aides were killed, including four cabinet members. Four Burmese also were killed, and 46 people were injured.

The Rangoon Division People's Court rejected clemency appeals for both North Koreans, Major Jin Mo and Captain Kang Min Chul.

Major Jin's lawyer appealed for a lenient sentence because of injuries his client had suffered during a suicide attempt while trying to evade capture. Captain Kang's lawyer argued that his client had confessed his role in the Oct. 9 bombing at the Martyr's Mausoleum.

One of the most telling blows was what one U.S. diplomat called "the spectacular silence of North Korea's allies." Only China suggested that condemnation would be unfair until all the facts were in.

North Korea's representative, Han Si Hae, called the charges a conspiracy by South Korea, Japan and the United States.

North Korea suffered a sharp

setback this week when a General Assembly debate on terrorism turned into a global referendum on the bombing in Burma.

Forty-three Western and Third World delegations condemned the Rangoon incident in their speeches before the assembly's legal committee, and almost half of them backed the conclusion of Burmese investigators that the North Korean government was responsible.

In addition, Costa Rica joined Burma in announcing that it was breaking relations with Pyongyang. Australia said it would not enter into certain proposals to resume ties, and Japan confirmed recent steps to restrict exchanges with North Korea.

The court also gave Major Jin a life prison term for wounding three bystanders when he detonated a grenade on Oct. 10 as he was surrounded by police. Captain Kang was also sentenced to life imprisonment for wounding three soldiers during his capture in the Rangoon home of a North Korean diplomat, Chon Chang Hui.

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## ARTS / LEISURE

## The Bronze Kingdom Of Pablo Serrano

By John Oakes

International Herald Tribune

CIVILLEN, Spain — Pablo Serrano is making a rare visit to Civillen, the tiny Aragonian hill town where he was born 73 years ago. Preceded by a crowd of children and local dignitaries, the sculptor strolls down the street named in his honor to the schoolhouse — serving 12 pupils — named in his mother's honor. He gazes appreciatively at the butcher's new weighing scale, gives the children pats, and embraces, it seems, everyone in the village.

"This is his kingdom," a friend remarks. If that is so, the region has never seen a more benevolent despot.

Since his return from Uruguay in 1954 — "I went there to escape the draft, and stayed," he laughs — Serrano has become one of Spain's most prominent artists. His bronzes are in the parks and collections of every major city in Spain, and many elsewhere. The first contemporary Spanish artist to have his work in the collection of Lenin's Hermitage, Serrano, named recently to the Spanish Academy of Art and Letters, was asked by King Juan Carlos to design a sculpture for the royal palace.

Despite his successes, Serrano's art remains non-establishment if

not anti-establishment. It is art for the spectator's sake, projecting a consistently humanist message. Serrano depends on such unashamedly conceived, he says, as sharing love and communicating.

Inevitably, that attitude — as evidenced in the few sculptures that were direct political commentary — led Serrano into confrontation with the Franco regime.

"Los Ejecutados: Conmemoración de los 25 años de Pino" (The Banded Ones: Commemoration of 25 years of peace, 1965), small figures imprisoned by tightly wrapped bandages through which peek an occasional eye or gaping mouth, were a bitter commentary on the quarter-century of fascist rule.

It was perhaps a result of these tortured sculptures (and their ironic subtitle) that Serrano's 1966 project for a monument to the Spanish poet Antonio Machado — who died in exile in 1939 — was forbidden by the government: the massive head, a stunning heroic portrait, was subsequently installed in the New York Museum of Modern Art's sculpture garden.

Machado was a moral example, the most important cultural and social figure to have come out of Spain for some time," Serrano says. Serrano aspires to be a moral example in his own right. Even the series "La quema del objeto" (The Burning of the Object) apparently



Serrano's "La Piedad" (1972).

abstract, surely decadent, is consistent with his humanist vision, Serrano says.

Sculptures of metal frameworks in which paper or wood boxes were set on fire, the *objets quenados* were "the realization of an ideal, the idealization of reality, the movement from the physical to the liberty of the ideal. The objects were burned to achieve a purest and similar to the other.

"We have to discover," Serrano writes, "this capacity in each one of us to create and to communicate as a condition of life and a reason for our existence."

Serrano found a symbol that indicated this need and capacity in ordinary bread. Consciously drawing upon Judeo-Christian tradition, Serrano calls the act of sharing bread a natural manifestation of a "unity," "the ultimate expression of communication." He has used the idea in sculpture and graphic works.

Recently, the artist has taken on an unexpected direction: "a complicated effort to render three-dimensional interpretations of the Cubists' guitars. I like the Cubists because of their dialogue between poetry and reason, or poetry and geometry," Serrano says.

This "diversion," as Serrano calls it, brings to mind his earlier "Entremesos sobre el Prado" (Meditations on the Prado) a satirical series on the paintings of Goya and Velazquez.

Yet Serrano, known for his generosity in helping young artists, is neither cynic nor satirist at heart. His goal, he says, is to express a "spiritus mundi."

"But the philosophy behind my art is visionary, not realistic," Serrano says. "Not everybody can understand, not everybody is open. I speak of an ideal that doesn't exist. Consequently, I find myself limited, but I also find myself looking for new ways to express the humanist possibility."



Pablo Serrano in his studio.

## 'Vassa': A Flamboyant Gallery of Gorky Rogues

By Thomas Quinn Curtiss

International Herald Tribune

PARIS — Maxim Gorky in a sentimental moment once wrote: "Man! There is a noble ring to that word!"

Despite this flamboyant declaration, the men of his stories are in large measure, as he dubbed them, creatures that once were men: a vast rogue's gallery of thieves, murderers, charlatans, wife-beaters, drunkards, and sly, greedy merchants, while the "hero" of his trilogy, Kim Sangin, though not of the criminal class, lacks the needed spark of magnanimity.

What Gorky glorified was not man, but woman. He was not blind to feminine faults, but he sang of resilience and fortitude. Probably the strongest of all his creations is Vassa Zveznova, in the play of that title. From it Giebel Paaflof has distilled in "Vassa" the most arresting film to have come from the Soviet studios in a lengthy film.

Gorky wrote the first draft of the play in 1910, but its performance

was prohibited by czarist censorship. In 1930 he revised it, aware that he had a formidable personality in Vassa, a woman of granite and ferocious drive. She is a Mother Courage monument, overwearing all that stands in her way, and it is significant that Brecht attempted to adapt this social melodrama. Its pessimism runs pretty high at times.

Vassa, owner of a Volga River boat line, rules her relatives with an iron hand to preserve the family fortune. When her dissipated husband, a former naval captain, is to stand trial on morals charges she forces him to commit suicide to avoid a scandal. She refuses to let her daughter-in-law, who is engaged in revolutionary activities, take her son as she wants the boy to be heir to the firm. She prevents her elder daughter from leaving the country and ruins her life, while her 16-year-old daughter, lured and spoiled, by her alcoholic uncle, the crippled, idiotic son has been eliminated from the script as the piling on.

There are lovely atmospheric vignettes to elevate the threatening monotony of the heavy narrative. One of these discloses the adolescent girls — their sister-in-law at the piano — rendering an old-time waltz. In its pastel hues it captures a flash of a civilization that has vanished. The acting by all is perfect, even a sign of excellent casting and direction, but it is Inna Churikova as Gorky's indomitable anti-heroine who through thick and thin hypothetically holds attention, providing the film with abiding unity.

Some of the best French films have taken the occupation for their subject: René Clément's "Jésus Interdit," Anat-Lara's "La Traversée de Paris," Noël-Noël's "Le Père Tranquille" and Marcel Ophüls's documentary, "Le Chagrin et la Peine." In Jean-Marie Poiré's "Papy fait de la résistance" we have the calamity viewed as a slapstick.

Laughter can be a powerful weapon as Ernst Lubitsch's mockery of the Nazi occupation of Warsaw, "To Be or Not to Be" has proven, though it was derided as a breach of taste, when first seen. Pouré, transforming the uniformed Germans and Gestapo agents into Keystone Kops, wins some automatic gaffaws, but he keeps Jacques Villiers, masquerading as an obese Hitler on overtime, even coaxing him into a witless night-club turn.

Jacqueline Maillan, always an entertaining comedienne, is an asset as an opera diva disguised with her German bosses. Alas, things will again when she is away. Michel Galabru, a seasoned funnyman, is the brave Papy and encounters more opposition from the scenario than from the enemy. The gags bomb when these two headliners are absent.

Claude Sautet's "Garçon" seems in doubt which way to turn



Inna Churikova in "Vassa."

## The Two Classes of Buyers at Auctions

International Herald Tribune

LONDON — The medieval manuscript sale held on Tuesday in London will be long remembered by the public as the occasion on which a very important man-

Europe. No one would deny that finding a manuscript of that period with its 41 full-page miniatures intact is virtually impossible on the market today.

But this in itself does not explain the price. The field is a highly rarefied one, with few private collectors worldwide. Upward of £500,000 to £600,000 there are no private buyers, as far as professionals know. This leaves only a few institutions.

Manuscripts, unlike oil paintings

or sculpture, cannot be displayed

permanently — the fresh colors

fade away if exposed to any source

of strong light. Their appeal to

boards of trustees and museum di-

rectors is accordingly limited.

It should be added that despite

its historical and art-historical

interest — the manuscript has al-

lowed the reconstruction of the

12th-century school of German il-

lumination based at Helmshausen

— is a seasonal feature. Cleveland

— is a seasonal feature. But the

early estimate quoted by Sotheby's

— "in excess of £1 million," which

was later changed to "in the region

of £2 million to £4 million" under-

lines the artificial nature of the op-

eration and emphasizes the chum-

ness of institutions on the market.

It is an elementary rule of con-

duct on the art market not to dis-

close your anxiety to buy, particu-

larly not to the auction house,

which will defend the vendor's in-

terests and its own — the bigger the

sale, the bigger the commission and

prestige.

The prospective buyer of a major

work does not help his case by

going to the auction house and

repeatedly asking him how

much it thinks it will fetch. Anx-

ious questioning can only induce

the expert to suggest an ever-rising

limit, which is exactly what hap-

pened with the Gospel Book as it

had happened previously at the

Von Hirsch auction in June 1978.

In both cases, the works involved

were German, and in both cases a

team headed by the same banker,

Hermann Abs, conducted the ne-

gotiations.

The surest sign that institutional

anxiety, when cleverly steered by

an auction house, can make to the

price of a major work of art is made

glaringly obvious by the price

offered in the same sale by the

other major manuscript. The book

of the Hours of the Virgin illumi-

nated at Rouen around 1460-75 has

58 very large miniatures and broad

panel borders brilliantly decorated

on every one of its 170 leaves. Their

freshness is as miraculous as that of

the Henry the Lion Gospel Book

although this is admittedly not as

rare in a 15th-century manuscript

as in a 12th-century one. Christo-

pher de Hamel, Sotheby's expert on

medieval manuscripts, went out of

his way to stress its importance,

calling it (in block letters) "prob-

ably the greatest and most splen-

didly preserved Book of Hours from

the whole Rouen school."

This surely deserved the atten-

tion of a museum. It will end up in

one. But the focus in that sale being

on Henry the Lion, they apparently

forgot about it. The contest was

confined to two dealers, H.P.

Kraus of New York and Pierre

Bére of Paris. Bére got it at

£330,000. Why weren't museums

going after it on Tuesday instead of

getting it later, as one eventually will, at two or three times the price?

A similar question could be

asked in connection with what

Sotheby's called the earliest com-

plete pack of hand-painted cards

in existence, painted de Hamel wrote

about 1465-75. When it appeared

at Drouot in December 1978, it

fetched just over £11,000 francs

(then about \$2,600). According to

trade sources, the buyer was an

Amsterdam dealer, J.H. Kenter.

On Tuesday at Sotheby's, the Met-

ropolitan Museum of Art bought it

for \$99,000 (with the buyer's pre-

mium).

In the meantime, the label had

been revised by Christopher de Hamel from an "incomplete pack of Tarot cards," possibly 16th or

17th-century, to a "complete pack

## Japanese Leader Nearing Test of His Strong Rhetoric

By William Chapman  
Washington Post Service

TOKYO — Judged by rhetoric alone, Yasuhiro Nakasone was a smashing success in his first year as a prime minister bent on painting a new picture of Japan in the world.

He sketched a Japan tilting westward, unequivocally bound to the United States and Western Europe, and ready to shoulder some of the economic and military burdens his predecessors had avoided.

He tackled many of the bugaboos of national defense that had

long shackled this constitutionally pacifist nation and left the impression abroad that Japan was prepared to line up militarily against the Soviet Union.

But Mr. Nakasone's first year in office ended with some skeptical voices asserting that he promised more than he could deliver and raised expectations that were bound to be embarrassing if unfilled. This view will be tested in elections Dec. 18 for the powerful lower house of the Diet.

The prime minister, the critics say, is bound by constraints of pub-

lic opinion and finance that may prevent him from realizing his promises. It is the view not only of traditional critics but also of some who share his diplomatic goals.

"It is true that he did make Japan more international and made it more understood in the world," said Bunroku Yoshino, a former career diplomat who is president of the Institute for International Economic Studies.

"But he has given impressions that will lead the United States to expect a greater responsibility in defending this part of the world, and although I agree with that, it is a question whether Japanese public opinion is mature enough to accept this."

The press puts the criticisms more crisply. Mr. Nakasone's performance is not keeping up with his promises, said Nihon Keizai Shinbun, a conservative business newspaper: "Words without actions cause friction later, domestically and internationally."

Mr. Nakasone has neither the financial resources nor the national consensus to back up his promises to the world, the Mainichi Shinbun said.

At home, he confronted directly the Japan Socialist Party's insistence on "unarmed neutrality," choosing to make it the issue of a parliamentary debate. In a recent speech, Mr. Nakasone called that policy tantamount to "unarmed surrender."

The verbal differences between Mr. Nakasone and his predecessors are surprising, even to the Japanese. The foreign policy of most of them was to be nice to everybody and say nothing that might get in

the way of Japan's post-war economic expansion.

Only six years ago, when Takeo Fukuda was prime minister, foreign policy was officially described as "omnidirectional," which meant that it looked in all directions for friends and had no enemies.

Mr. Nakasone deliberately changed all that. He speaks openly of the "Western alliance" of which Japan is a part. He backed the deployment of U.S. medium-range missiles in Europe and supported the U.S. invasion of Grenada. One predecessor, Masayoshi Ohira, in contrast, initially balked at the idea of condemning the Iranian seizure of U.S. hostages as humanitarian grounds.

Many predict that Japan's defense budget for next year will make apparent the gap between Mr. Nakasone's public statements and what can be achieved. Japan's national debt is huge, and the governing party is committed to scaling it down through a series of austerity budgets that hold domestic spending to a minimum and permit modest increases in defense expenditures.

The result is that the Defense Agency's plan for gradual expansion is already behind schedule. An analyst said it would take real increases of 10 to 13 percent per year, or nearly twice the increase last year, to get that plan back on schedule.



Prime Minister Yasuhiro Nakasone waves during a rally this month of the governing Liberal Democratic Party at the opening of the election campaign for the lower house.

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## Small-Town Rivalries Dominate Harare's Embassy Circuit

By Jack Foistic  
Los Angeles Times Service

HARARE, Zimbabwe — When the U.S. Embassy here brought in a detachment of six marines, the Soviet Embassy asked for increased security too, not out of fear, but for reasons of prestige.

This is the sort of one-upmanship that goes on in Harare, where 57 embassies represent governments of the East, the West and the Third World. Harare has become a place of intrigue and gamesmanship.

Now a city of 700,000 people, the capital remains at heart a small town. Social activity on the diplomatic circuit is about the only form of entertainment, and gossip abounds.

The diplomatic list makes it clear that Prime Minister Robert Mugabe is adhering to his position of nonalignment. Of the missions here, 18 can be classified as pro-Western and 12 as pro-Soviet. West Germany and East Germany both have embassies.

Among the African countries that maintain embassies, there are several that accept aid from West and East alike and try to keep on

friendly terms with both Washington and Moscow.

Whatever the flag and whatever the politics, when the diplomatic crowd gets together socially the right degree of correctness is always exercised.

There are occasions, even at a "neutral" gathering, when suspicion and distrust overcome normal diplomatic behavior. Americans, for example, have been instructed to ignore the presence of Cubans, Iraqis and North Koreans. And the American state is reciprocated.

Likewise, Americans usually give a cold shoulder to any Libyans they encounter, and vice versa.

Almost every night there is an embassy affair somewhere in Harare's pleasant suburbs. Often there are two or three on the same night. Zimbabwe protocol officers sometimes find it difficult to see that the host country is adequately represented, and a key to an event's importance is the rank of the Zimbabwean who turns up.

It is a triumph when Prime Minister Mugabe shows up with his wife. Sally. But because they are teetotalers and homebodies, the

Mugabes appear only rarely on the cocktail circuit.

The Soviet ambassador, Georgy Ter-Gazaryants, who is anxious to strengthen cultural ties, brought a Bolshoi Ballet troupe last month, and when Mr. Mugabe failed to attend a performance to which he had been invited, the incident provided grist for the gossip mill. Some eyebrows were also raised because the U.S. ambassador, Robert Keeley, did attend.

The way Mr. Mugabe keeps the Russians at arm's length, even though he is a professed Marxist, is a source of quiet amusement on the circuit.

Moscow supported Mr. Mugabe's rival guerrilla leader, Joshua Nkomo, in the long war of independence that ended in 1980. Mr. Mugabe defeated Mr. Nkomo in the election that followed the war and independence from Britain, and a year went by before he allowed the Russians to establish a diplomatic post. First, they had to promise to have nothing to do with Mr. Nkomo, who turns up.

It is a good number — are gathering intelligence," an official said. "I think you call them 'spooks'."

South Africa, Zimbabwe's white neighbor to the south, is considered a natural for some kinds of spying. Relations between the two are tenuous at best — each has only a trade mission in the other's capital — and there is concern that the presence here of so many representatives from Communist countries

major political importance, though he is a member of Parliament.

"Mugabe does not forgive easily," a diplomatic source said.

China, which supported Mr. Mugabe in the war, has been rewarded with Zimbabwe's friendship, and the Chinese are rated among the most charming in the diplomatic community.

In all, more than 500 people enjoy diplomatic privileges in Harare, and in official circles there is some concern that the presence of so many diplomats will make for problems.

"It is assumed that some of them — a good number — are gathering intelligence," an official said. "I think you call them 'spooks'."

South Africa, Zimbabwe's white neighbor to the south, is considered a natural for some kinds of spying. Relations between the two are tenuous at best — each has only a trade mission in the other's capital — and there is concern that the presence here of so many representatives from Communist countries

## Turkish Cypriots Appoint Leader Of Interim Cabinet

Reuters

NICOSIA — The Turkish Cypriot leader, Rauf Denktash, has appointed Nejat Konuk, interim prime minister of the self-proclaimed Turkish Cypriot republic, according to Turkish Cypriot officials.

The Zimbabwe government tries to limit embassy staffs to 20 fully accredited diplomats. But many countries get around this limit, some by bringing in aid mission.

The United States and Britain both have staffs of 34, and Nigeria, the most powerful black-ruled nation in Africa, has a staff of 37.

According to diplomatic sources, the Soviet Union, which has only 17 fully accredited diplomats, has asked for a trade mission that would swell the number of its representatives here. The request is not considered likely to be approved by the Foreign Ministry.

The request for a trade mission comes on top of another to increase the Soviet ambassador's security staff to a full platoon. This, too, is expected to be rejected.

Marines, who are posted at U.S. embassies around the world, were assigned to the embassy here in August, although permission had been granted several years ago. The delay was due to the fact that the old embassy, a private residence, simply had no room for them.

## Move by France Blocks Negotiations on Namibia

Reuters

BRUSSELS — A Western mediation effort to bring independence to Namibia has collapsed temporarily because of a French boycott of a five-nation "contact group."

The French reportedly acted because of displeasure with U.S. and South African insistence on linking independence to withdrawal of Cuban troops from neighboring Angola.

The group was set up six years ago to speed independence for South African-administered Southwest Africa, which is also known as Namibia. British officials said Thursday that the group was still in being but would probably not meet at any level in the immediate future.

The French decision was announced Wednesday night on the eve of a meeting of NATO's 16 foreign ministers in Brussels.

The French external relations minister, Claude Cheysson, told the foreign ministers of the North Atlantic Treaty Organization on Thursday that France was not proposing abolition of the contact group but saw no point in meeting at present.

Conference sources quoted Mr. Cheysson as saying the decision was based on the contact group having completed its work on all key problems except for one linked issue.

France believed the sole obstacle in a rule-settlement was that the United States and South Africa wanted it linked to the withdrawal of a reported 25,000 Cuban troops from neighboring Angola.

Senior diplomats of the United States, Britain, Canada and West Germany, the other four members of the group, said they were not consulted in advance by Paris.

First reports from Paris suggested France wanted to pull out of the group completely, but this was disputed by French officials.

Western officials said it appeared unlikely the contact group would be reactivated until the Cuban troop issue had been resolved.

and said there was no point in meeting without France, a member since the panel was set up.

They said privately that the French decision could create a serious new blockage.

Some Western diplomats said the French move could be an attempt to put pressure on the Reagan administration and South Africa to drop the linkage idea.

Mr. Cheysson told the National Assembly in Paris on Wednesday that France had decided not to attend new contact group meetings "because it cannot honestly exercise the mandate entrusted to it."

Mr. Cheysson said France, which opposed the linkage demand, had stayed in the contact group because several African countries asked it to do so. The French decision was based on an Angolan view that the panel "could no longer achieve anything."

The group, established after the failure of UN efforts to end South Africa's control over Namibia, achieved a major success last year in persuading South Africa, local political parties and Namibia's black neighbors to accept a package of constitutional measures looking toward free elections in the former German colony.

But the agreement founded on U.S. and South African insistence on linkage to Cuban troop withdrawal.

There has been no official reaction yet from South Africa.

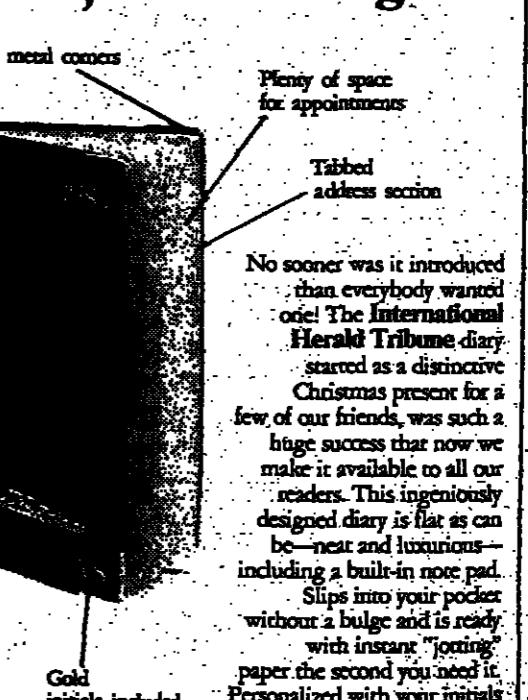
In Bonn, a South African opposition leader, Frederik van Zyl Slabbert, said France's decision was a setback to efforts to bring Namibia to independence.

He said Mr. Cheysson had made no mention of the move when they had talks in Paris last week.

"Something more is going to be needed than the continual restatement of old positions if a settlement is to be found," he said during a visit by members of his Progressive Federal Party to the invitation of West Germany's Free Democrats.

Western officials said it appeared unlikely the contact group would be reactivated until the Cuban troop issue had been resolved.

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# HUNGARY

## An Overview of the Economy

### CONTINUITY AND FLEXIBILITY

#### Successful agricultural reforms

#### Small private enterprises legitimized

If there is one subject the average Hungarian loves to talk about then surely it is "The Economy" even if he only refers to it obliquely. "This is absurd," a leading businessman commented on the spectacular theft of six priceless Renaissance paintings last month from the Budapest Museum of Fine Arts. "I know we are doing everything to boost exports - but not gratis. Anyways," he added, "I suppose once again we have reached world standards." The reference was to frequent reports in the Hungarian press about the growing efficiency of the country's industry and agriculture.

The obsession with the Economy on the part of public and planners alike probably accounts for the phenomenal success of the new magazine "Heti Világzáság" (or Weekly Economist) which in the short space of four years has shot up to a circulation of nearly 90,000. Sponsored by the Hungarian Chamber of Commerce, but retaining complete editorial independence, "HVC" (as the weekly calls itself for short) relates the Hungarian situation to world economics, using a punchy style and plenty of quotes from foreign business periodicals. The magazine's frankness about all matters relating to trade and industry is welcomed for the most part in official circles for the way in which it contributes to the keen discussion leading to significant reforms in the country's economy, with the certainty of more to come.

Continuity and flexibility are the

two most obvious characteristics which strike the inquisitive observer of the Hungarian economic scene at the end of 1983. Standing on the top floor of the National Planning Office overlooking the Danube the panoramic view includes the massive Castle (representing the former Monarchy), the Freedom Statue on Gellert Hill (standing for the present Socialist regime) and a whole batch of new money-making luxury hotels (as a sign of western presence. And even the Danube itself, Europe's second longest river, stretching from the Black Forest to the Black Sea, symbolizes the key position Hungary has acquired in attempts to bridge the gulf between capitalism and communism.

Expressed in hard monetary terms this seems to be the case. The necessity to tighten belts is proclaimed incessantly in the media. New economic regulations are promulgated incessantly to discourage consumption and keep investment down. In the same breath, as it were, the story is told of the average Hungarian who "earns" 5000 Forint (a month) of which he spends 6,000, saves 3,000 and puts the rest aside for buying a car.

Part of the answer certainly lies in the so-called "second economy" whereby moonlighting is not only tolerated in Hungary but actually declared part of the official policy. One of Hungary's leading economists, Béla Cikás-Nagy, State Secretary and President of the

Board for Materials and Prices, explaining the latest reform introduced in 1982, said: "We always had small private enterprises. Now we have legitimized them." The advantage to the state of this legitimization being, of course, that it could henceforth levy taxes on earnings from the "black" economy.

Despite the attention given in the western press to the private sector in Hungary its real importance should not be overestimated. 96% of industry and trade is in state hands. However, the private sector does, undoubtedly, enliven the picture and, to a certain extent, simplify everyday life. If you ever need a plumber or want to get a television set repaired, you no longer have to wait for months for the relevant state enterprise to respond, but get immediate service (at a price) from a self-employed entrepreneur.

Mr Cikás-Nagy sounded a note of warning in another sector recently though, when he pointed out that the overall rate of inflation in Hungary for 1983 would come out at around 8%, with the figure for 1984 likely to rise slightly to between 8-9%.

It was in agriculture that the movement towards economic reform first found expression. The success led to the major reforms of industry introduced in 1982.

Farm production in the last twelve years has gone up by 65% notwithstanding a decrease in arable land of 293,000 ha. Last year the foodstuffs industry produced 2.6 times as much (on the present price basis) as it did in 1970. There are no noticeable shortages in Hungarian food-stores. The prices of basic foodstuffs are reasonable.

Altogether the shops in Budapest are well-stocked. The selection of foreign goods is relatively wide. Levi Strauss jeans, Scholl health-sandals, Triumph lingerie, Salamander shoes and Polaroid sunglasses are all to be had - if you can afford them. The latest sensation is the opening of branch of the West German specialist retailer Foto-Quelle.

Prime-mover behind this achievement was OFOTÉRT, the leading Hungarian optical goods and photographic importer and wholesaler. The company's director-general, János Szilágyi, stresses that no previous foreign currency is squandered, though. This was, and is, a compensation deal. All the Foto-Quelle products sold in Hungary are offset by deliveries of certain Hungarian products, such as spectacle-cases, slide frames and black-and-white paper. In the course of the present year these deals amount, for instance, to an equivalent value of DM4 million. It would be wrong to assume that important changes will be effected at the turn of 1984/85.

one-way traffic. Many firms in non-Socialist countries are pressuring Hungary to be allowed what are, in effect, barter payments. Translektro, the Hungarian electrical industry's foreign trading company, estimates that at least half of the demand for compensation deals now comes from the western side, including requests from some of the most renowned companies in the field.

János Szilágyi, who is also vice-president of the Hungarian Chamber of Commerce, makes no secret of his desire to achieve full convertibility of the country's currency, the Forint. He thinks this too is the long-term aim of János Fekete, who is in charge of international operations for the Hungarian National Bank. And Szilágyi adds: "Fekete [who is 64] would like to see this problem solved before he goes into retirement." However, despite Hungary's good record in meeting foreign debt obligations, Hungarian economists are dubious about full convertibility being achieved within the foreseeable future, although a degree of convertibility in foreign trade might be possible.

The British Foreign Secretary, Sir Geoffrey Howe (formerly Chancellor of the Exchequer), who paid an official visit to Hungary in September, drew attention to the similarity prevailing between the economy of the two countries, saying that it was in the interest of both sides to make trade more liberal and to set aside commercial barriers. As he put it: "Socialist and capitalist, eastern and western countries have been hit in the same manner by the effects of the recession."

Hungarians are now keenly awaiting the arrival next year of Margaret Thatcher, the British Prime Minister, coming at the invitation of her counterpart in Budapest, György Lázár, Chairman of the Council of Ministers.

Mrs Thatcher may well show some interest in the flexible Hungarian approach to a subject close to her own heart, that of trust-busting. Since the beginning of the eighties a good number of large Hungarian enterprises (including the Coal Mining Trust and the Csepel Iron and Metal Works) have been broken down into smaller units in the interests of greater efficiency and of what is called the acceleration of qualitative change in production.

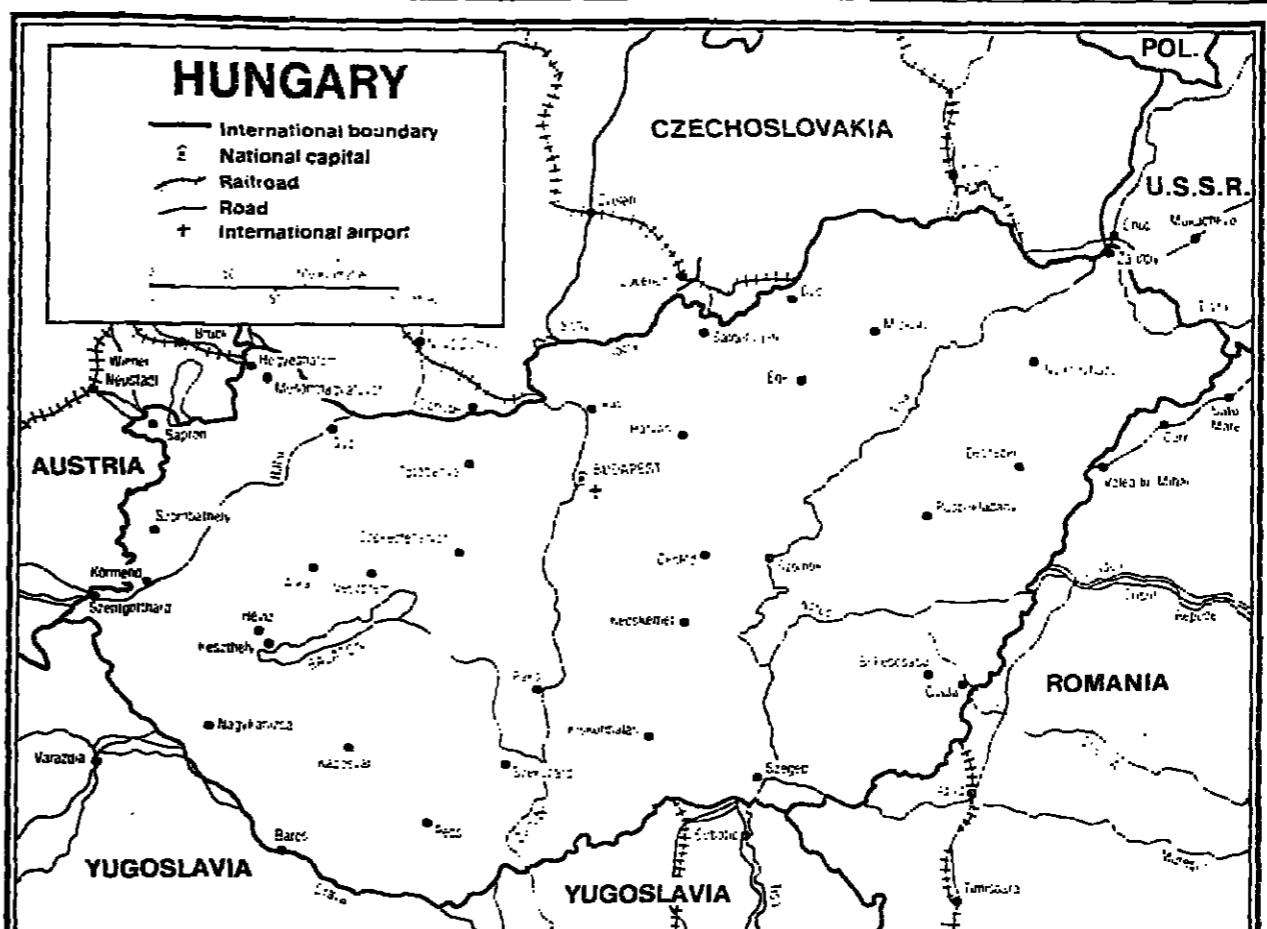
It would be fair to say, though, there is a growing conviction in Hungary - especially among the younger generation of economists - that a comprehensive reform of the economy is called for rather than the piecemeal changes so far seen. These can only be the prelude to, and not a substitute for, an integrated set of measures which could bring startling effects if realized as a package. Fundamental alterations are called for in the economy if Hungary is to adjust itself successfully to what might well later be seen as epochal changes at international level.

There is an open, and ongoing, discussion in the Hungarian media about all these problems and it is confidently assumed that important changes will be

effected at the turn of 1984/85.

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### HUNGARIAN CHAMBER OF COMMERCE

#### Importance of Co-ordinating Role

#### Mr. Tamás Beck President of the Chamber responds to some questions

The Hungarian Chamber of Commerce is an indispensable forum for the exchange of views in the world of business. Its membership consists of a steadily growing number of companies and institutions representing all branches of the economy. Tamás Beck, the Chamber's President, agreed to answer in writing some questions submitted by the IHT's marketing department.

IHT: What is the role of the Hungarian Chamber of Commerce in the country's economic life?

T.B.: Among our economic organizations the Hungarian Chamber of Commerce is one of the institutions which consider it their fundamental objective to use the opportunities available to them to the maximum in order to contribute in their own way to the easing of economic contradictions and to the continuation of economic progress.

The Hungarian Chamber of Commerce concentrates all its efforts on furthering the greatest possible mutual understanding between the controllers and the controlled. This means, in effect, that the Chamber co-operates in the elaboration and implementation of central decisions affecting the whole economy. It fosters the professional progress of its member companies and eases their path in the international division of labour. It encourages co-operation among the companies, as well as the widening of the professional knowledge of managers and experts.

The Chamber has been successful in getting prior consultation about intended measures and prior exploration of company interests. Today the Chamber is "commercial" in name only, because among its member companies view are expressed by both industrial and agricultural producers from both the state owned and the co-operative sector. It is the Chamber's task to represent the interests of its member companies and, if necessary, reconcile them with each other. The aim of this representation of interests is that optimum decisions should be made from the aspect of the future development of the national economy. The Chamber also considers it its task to assist the implementation of decisions already made, and to mobilize its member companies for this purpose.

IHT: How independent then is the Chamber?

T.B.: The Hungarian Chamber of Commerce is just as independent as any American or European chamber of commerce known to your readers. Its immediate supervision is in the hands of the competent Vice-Chairman of the Council of Ministers and thus it is in no way dependent on the Ministry of Foreign Trade or any other body. Its President, Co-Presidents and Vice-Presidents are elected by the 30-35 member Presidium (for a term between two general meetings of members) by secret ballot, free of any outside influence. The President of the Chamber and the majority of its Vice-Presidents are company general-managers or managers who are active in the Hungarian economy. The President elects out of its own members the Executive Board

which meets fortnightly and makes quarterly reports to the Presidium. The President of the Chamber, or his representative, takes part from time to time in the meetings of the government when it is dealing with economic questions, and he is permanently invited to the meetings of the different governmental committees which direct the Hungarian economy. The standing and the

role of the Hungarian Chamber of Commerce in Hungarian economic life are guaranteed by governmental decree. The Chamber gets no financial support from any state organ and maintains itself out of the membership dues paid by the companies. Membership of the Chamber is entirely voluntary, and at every meeting of the Executive Board the Secretary-General lists the new members as well as those who, being dissatisfied, have terminated their membership.

IHT: How flexibly is the Chamber able to operate?

T.B.: This question goes to the core of the matter. The conditions for flexible operation exist, but our sometimes exaggerated

Continued following right

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## OPEC Uncertainties

OPEC says that its prices will remain unchanged into 1984. That, you will recognize, is a hope rather than a promise. OPEC is wishing itself a happy and prosperous new year.

OPEC's sales hit a peak volume four years ago. Since then, because of the enormous increase in oil prices and the world recession that they caused, its production has dropped 40 percent. The question is how to allocate that enormous reduction among its 13 members.

At the past week's meeting in Geneva, OPEC agreed, more or less, to try again to stick with the production quotas that it adopted last March. But it has no means of enforcing those quotas, and the agreements started to unravel as early as last summer. Saudi Arabia never formally accepted a production ceiling, arguing that it needed latitude to stabilize the market. In recent months the Saudis have lifted their production quite a lot, presumably to prevent any upward movement of prices in anticipation of the American recovery from the recession. But American oil imports have not increased much in the past year, and there is now a widespread fear among the other producers that the price will soon fall.

Since two OPEC members, Iran and Iraq, are at war with each other, the atmosphere in the meetings is hardly conducive to trust and unity. But the hostility between those two countries only sharpens an older quarrel. This is a warning to the contrary.

—THE WASHINGTON POST.

## KAL 007: Looking Ahead

From what seems like the remote past comes a report by the International Civil Aviation Organization on the South Korean airliner shot down by the Soviet Union — only last Sept. 1 — with the loss of all 269 people on board. The report, by the ICAO's multinationa

l staff, supports the theory that human error in operating navigation equipment led the airliner to stray off course. It rejects the Kremlin's contention that the plane was on a spy mission and faults the Soviets for not making "exhaustive efforts" to identify it before firing. The report is to be discussed in the coming week by ICAO members, including the Soviet Union, which cold-shouldered the inquiry.

In short, more of the same: confirmation of Moscow's rigid, paranoid conduct in shooting down the plane, and a further demonstration of its icy, self-isolating rejection of international norms in investigating the tragedy.

The ICAO report appears to be the single result of the shootdown that is alive and continuing. Some 13 nations — the Europeans plus Japan — broke civil service with Moscow for varying periods, all now ended. Pan Am had already given up flying to Moscow, and the Reagan administration had halted Aeroflot's American flights after martial law was installed in Poland, so there was only one

—THE WASHINGTON POST.

countries with large populations, including Iran, want higher prices to push up their immediate returns. The Saudis are following a strategy that takes a much longer perspective and tries to restrain prices to avoid driving customers to other sources of energy. The Saudis' aid to Iraq is only one reason, and perhaps not the basic one, for Iran's enmity toward them.

Among OPEC's customers there is a tendency to celebrate its internal troubles and to see in them the prospect of steadily declining oil prices. That's pure Pollyanna. A more likely consequence is continuing uncertainty and turbulence in the oil markets. An end to the Iran-Iraq war now in its fourth year, would imply a sharply lower price of oil as Iraq began exporting again at its previous levels. But no one has found a way to turn off this immensely bloody war, and if it should spread to the Kuwaiti and Saudi oil ports, oil prices would move in the opposite direction — and rapidly.

The United States and Western Europe may yet have reason to regret that they invested so much of their attention and diplomatic energy in one Middle Eastern war — the one in Lebanon — to the neglect of the other. OPEC's meeting in Geneva gives no assurance at all regarding the stability of next year's oil prices. The whole character of the organization, at this point, is a warning to the contrary.

—THE WASHINGTON POST.

## Democracy in Caracas

Some political events deserve notice because they are remarkable. The democratic succession in Venezuela is an example.

For the fourth time since 1958 the outs have won a presidential election. The victor this time is Jaime Lusinchi, a veteran leader of the left-of-center Democratic Action Party. His victory and its guarantee of stable, constitutional rule are unremarkable because of a remarkable change in Venezuela's traditions. Simón Bolívar, who was born there, called Venezuela the "barnacles" of South America. Long neglected by Spain and left largely illiterate, the country lost a fourth of its population in its war of liberation.

What followed was summarized in 1955 by the historian Hubert Herring: "More than 20 constitutions have been drafted, promulgated and then ignored; more than 50 armed revolts have taken toll of life and property. Dictatorship has been the rule. Political parties have meant little, political principles

less. The caudillo has dominated Venezuela from 1830 to the present hour."

Among the most brutal caudillos was the last, Marcos Pérez Jiménez. He seized power in 1952, when Venezuela was moving toward democracy and starting to tap its oil riches. His principal opponent, whom he scorned as a communist stooge, was Rómulo Betancourt, the founder of the Democratic Action Party. An indifferent United States struggled and carelessly let President Eisenhower bestow a medal on the Venezuelan tyrant.

When Venezuelans finally ousted the corrupt dictator, the first signs were disturbing: a visiting Vice President Nixon was spat upon by a mob in Caracas. But, starting under Mr. Betancourt, Venezuela turned away from the rule of mobs and tyrants to a stable two-party system, and developed an admirable regard for human rights. That is unlikely to change now. What a difference a generation can make.

—THE NEW YORK TIMES.

## Other Opinion

### Britain and the Community

It is very tempting for Britain to sit back and enjoy the crisis into which the failure of the Athens summit has plunged the European Community. The essence of British complaints about the Community has always been that it is too expensive and that far too high a proportion of the money spent goes on agriculture, a sector which is relatively less important in the British economy than in those of most of our partners. In the past Britain has been able to do little about this except rant and rave.

By behaving very badly, we have each year

managed to bully or cajole our partners into giving us some of our money back. We had to behave badly because the rules were loaded against us before we ever joined the Community. What we should be doing now is to charge for our eventual agreement to an increase in "own resources," and employing our most intense and persuasive diplomacy to convince our partners that it is a price worth paying.

The Community as a whole, not Britain, needs an equitable financial system and a reasonable balance of expenditure.

—The Times (London).

### FROM OUR DEC. 10 PAGES, 75 AND 50 YEARS AGO

#### 1908: A Rich Caudillo in Venezuela

NEW YORK — The New York Herald's Caracas correspondent says that General Castro had a letter of credit for an unlimited amount of the Venezuelan nation's money, issued by the Bank of Venezuela in accordance with instructions of the Minister of Finance; that General Castro kept the date of his departure for Europe a secret until two days before he left; that he gave each member of his Cabinet \$100,000 as a stimulus to "be good" during his absence, and that General Castro's business and personal interests, which yield him more than \$1,000,000 in income a year, were entrusted to Dr. Garibar Guzman, lately Secretary-General of Venezuela, and at one time Charge d'Affaires in Washington.

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## How the Superpowers Could End the Iran-Iraq War

By Seth Tillman

WASHINGTON — The acquisition

by Iraq of Super Elendard fighter planes, along with the Exocet missiles that it already possesses, has opened up the prospect of a major crisis.

A superpower confrontation could result if Iraq attacked Iran's oil-exporting facilities; if Iran undertook to block the Strait of Hormuz as it has threatened to do, and if the United States then took military action, as it has said it would.

I visited Iran last May and came away convinced that the Iraqis were very nearly desperate to get out of the war. (They are surely more so now.) They were baffled as to how this could be done as long as Ayatollah Khomeini survives. And they seemed genuinely to believe that the superpowers were somehow manipulating events behind the scenes.

Iraqis told me repeatedly that the superpowers could bring the war to an early end if they wanted to. The fact that they had not done so, I was told, only proved that they wanted the war to continue.

My answer to the effect that America had little influence in Iraq and none in Iran, and that there was probably little if any communication between Moscow and Washington about the war, met with disbelief.

The Iraqi belief in the "hidden hand" of the superpowers may be dismissed as familiar Third World paranoia. On the other hand, they may be accurate in their belief that the superpowers could bring the war to an end if they wanted to.

The essential condition is recognition by the Soviet Union and the

United States that they have a shared interest in ending the war, if for no other reason than its potential for drawing them into confrontation.

There are other plausible reasons for U.S.-Soviet cooperation to end the war. The United States and its allies have an obvious, compelling interest in the stabilization of the Gulf region. Soviet interests, contrary to the official reading of both the Carter and Reagan administrations, may well be comparable with the Western interest.

What the Soviets seem to want as

much as anything in world affairs is

been no Berlin crisis, for example,

since the agreement of June 1972.

The Soviets acknowledge the Gulf

as an area of vital Western interest.

Leoni Brezhnev, in a speech in New

Delhi on Dec. 10, 1980, said that the

Soviet Union "has no intention of

encroaching upon either the Middle

East or its transportation route."

and he proposed a unilateral agree-

ment for the demilitarization and

neutralization of the Gulf region. Mr.

Brezhnev reiterated the proposal in

February and May 1981.

The U.S. government has never re-

sponded to these overtures; adhering

to the premise of the Carter doctrine

to the effect that the real Soviet aim is

ultimately to take over the Gulf so as

to ensure its own oil supply (although

CIA projections suggest that the So-

viet Union will remain self-sufficient

in oil for the remainder of the century)

and to gain control of the

communist world's oil "lifeline."

We cannot know what the Russians

do not mean when they propose until

they offer to cooperate in stabilizing

the Gulf is tested.

The Iran-Iraq war

offers that opportunity, with much to

be gained and little if anything to be

lost from a joint Soviet-American

peace initiative. At worst, the Soviets

would be exposed as hypocrites, as

inveterate fishermen in troubled wa-

ters rather than as interested in world

order as they profess.

A detailed road map as to how the

superpowers might proceed in a joint

peace initiative is provided by the

United Nations Charter. The Soviet

and the United States, working

through the Security Council,

would in the first instance encourage

the belligerents to make use of one

another of the procedures for the

pacific settlement of disputes spelled

out in Chapter VI of the Charter.

In the likely event that this recom-

mendation failed to elicit a favorable

response from both parties, the Secu-

rity Council could then invoke the

peace enforcement procedures of

Chapter VII of the Charter, recogniz-

ing in the first instance that

the combatants' possible reaction.

Iran might lash out at the other Gulf

states if they tried to take over Iran's

market share. But the world already

faces this danger, without any pro-

pect of moving Iran or Iraq toward

negotiations. If the world must pro-

tect the Gulf states from military at-

tack, the legitimizing of cover by the

Security Council would be useful.

It would be necessary to take into

account the legitimate grievances of

Iran. A cease-fire in place would not

مكتبة من الأصل

## HUNGARIAN CHAMBER OF COMMERCE

### Mr. Tamas Beck President of the Chamber responds to some questions

Continued from first page.

and superficial administration does not always allow us to be as flexible, active and quick as we might be, or specifically as we would like to be. This is up to us, the staff and management of the Hungarian Chamber of Commerce, and we do our best to carry out our tasks to the full satisfaction of our member companies and our foreign partners. We are strengthening the attitude that the staff of the Chamber must "serve its companies and their interests, as well as those of their foreign partners. In order to bring about a safer and larger elbow-room we are improving and expanding our internal and external information services. We have established a computerized data bank and have increased the volume of information in our publications which our members receive or are sent abroad. We

trust that when the International Herald Tribune puts this question next time we shall again be able to report progress.

IHT: What relations does the Chamber maintain with international and intergovernmental organizations?

T.B.: The main goal of our relations maintained with international organizations is - like that of our whole activity - to serve the interests of our member companies and thereby of our country, and to promote the development of Hungary's international economic relations. There are memoranda of understanding between UNIDO (the United Nations Industrial Development Organization) and Hungary in four areas: the aluminum industry, the building industry, the pharmaceutical industry, and the precision engineering and telecom-

munication industries. The memoranda were concluded by the Chamber on behalf of the government with UNIDO, and the Chamber operates as a liaison office in the implementation of the projects included in the memoranda. The Chamber co-operates closely too with the International Trade Centre UNCTAD/GATT, which primarily supports the developing countries in extending their trade. Within the framework of co-operation with the ITC the Chamber, as an import-promoting office, helps the firms of the developing countries to establish contacts in Hungary.

Co-operation with the International Chamber of Commerce (ICC) is regular and close. The Hungarian Chamber of Commerce, not being a member of this institution, co-operation occurs within the framework of its existence in the elaboration or modification of international trade practices, standards, terms of payment, and codes of behaviour. In the International Labour Organization (ILO) the Chamber represents the Hungarian employers, and in this

the East-West Committee established jointly by the chambers of the European Socialist countries and the ICC. Since its establishment in 1975 the office of the Socialist Co-President of the Committee has been filled by the present Co-President of the Hungarian Chamber of Commerce. On the one hand, the Committee elaborates recommendations for the removal of obstacles impeding east-west trade, and on the other it enables the chambers of Socialist countries to make use of the experience gathered by the ICC in the more than sixty years of its existence in the elaboration or modification of international trade practices, standards, terms of payment, and codes of behaviour.

IHT: What services does the Chamber offer to foreign firms which intend to invest in Hungary?

T.B.: I am pleased to inform you that the Hungarian government has taken all measures which provide the possibility for foreign firms to invest in Hungary. The Chamber has available several publications in foreign languages, including English, which provide information about conditions, statutes, opportunities, transferability of profits etc. Our Chamber does everything in its power for firms which intend to invest in our country. The good and bad examples are available with figures; we ensure the rapid meeting of partners, provide regular assistance of a trade promotion nature, help in the realization of the technical conditions, provide all the necessary information in connection with the functioning of the Hungarian economy and - not the least of its services - the Chamber offers through its branch, country- or functional sections a regular forum for foreign firms which require this in the preparation of their investment.

I was recently able to study the work of the chambers of several OECD countries, and even if we do not yet dispose of such a representative World Trade Centre as some countries do, we still exercise all the functions - unfortunately as yet in a more modest environment - that are offered by these organizations.

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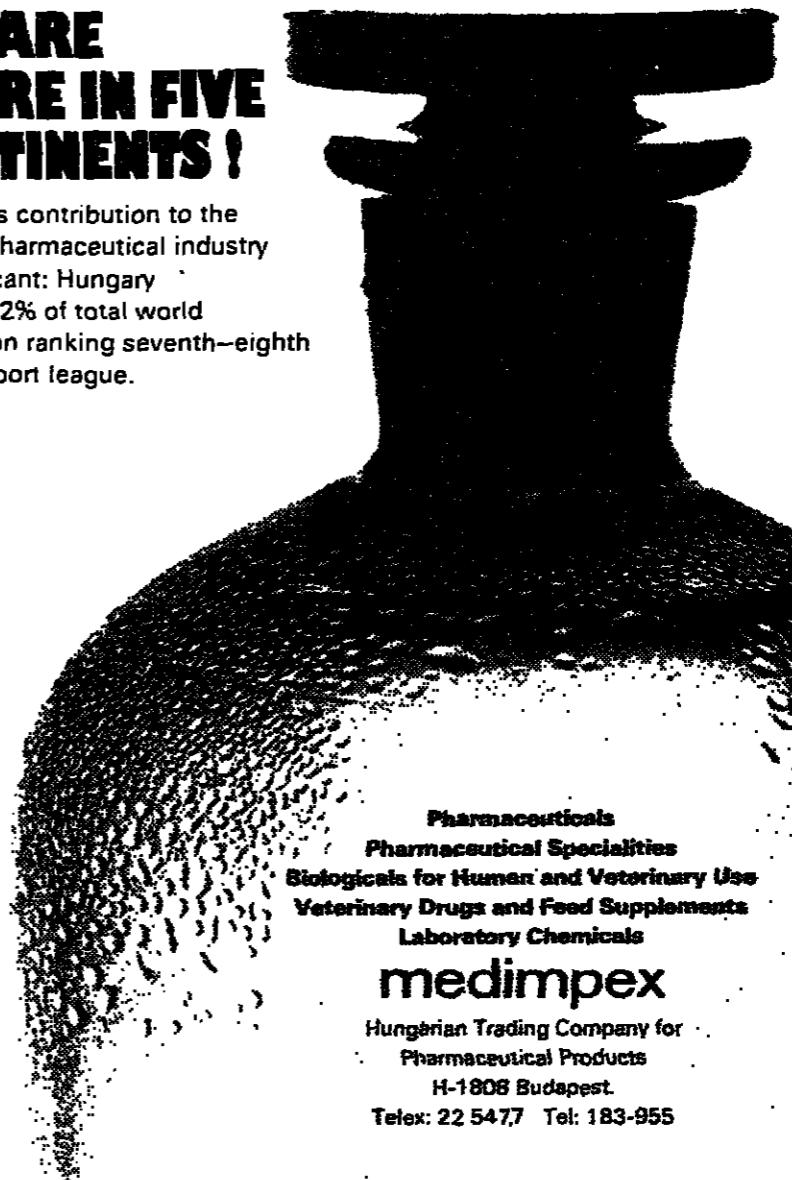
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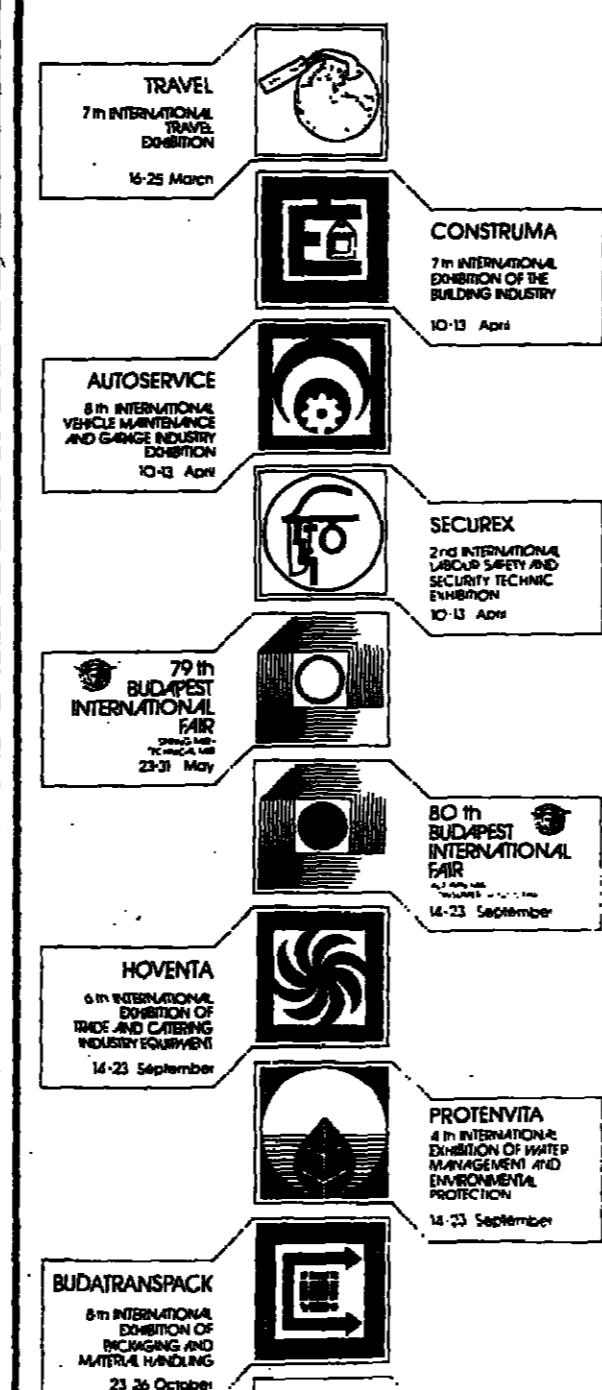
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## DRIVE TO DEVELOP TOURISM

### Rapid growth of facilities

### New Convention Centre to open in February 1985

For a country such as Hungary, rich in natural beauty but poor in raw materials, it is imperative to develop those branches of the economy which are able to meet the challenges of the world market. Tourism is one of them. Spectacular growth rates of around 11% annually were registered during the 1960s and early 70s in the numbers of foreign tourists visiting Hungary. Tourist facilities could be expanded, though to keep pace with demand.

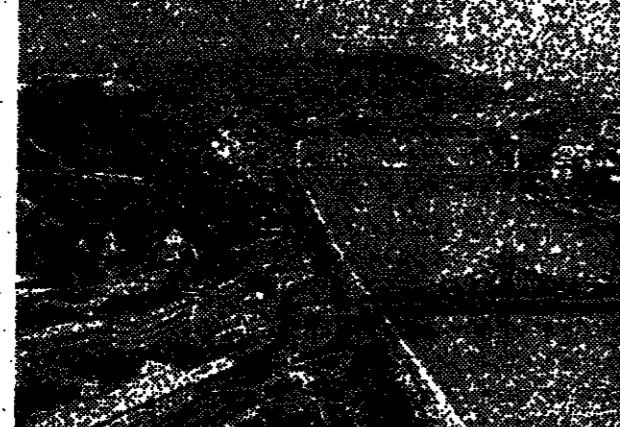
In the capital, Budapest, there was a chronic shortage, however, of top class hotels, marginally eased by the opening in 1969 of the Duna-Intercontinental, the first franchise hotel of an international chain in any East European country. This was soon followed, on the other side of the Danube (Duna in Hungarian) by the Budapest-Hilton built comingly into the remains of a medieval monastery.

Then came the big breakthrough whose effects have been noted with gratitude by individual travellers since the end of 1982. The number of beds in four- and five-star hotels more than doubled (from 1,500 to over 3,000) within a four-year period, rendering largely unnecessary long term advance reservations (except at the height of the season). This burst of hotel-building activity derived largely from a US\$300 million loan extended to Hungary by Austria for the realization of tourist facility projects. The first fruits were no less than four brand-new Budapest hotels: the Forum (a slightly down-market cousin of the Inter-Continental), the Hyatt-Atrium, the Buda-Penta and Novotel. All of them achieved 50-60% occupancy during their first year of operation and are confident of doing better soon.

This is, of course, not to forget the traditional establishments whose names were known throughout Europe during the pre-war period. For those who prefer a taste of the good old items there is always the Gellert, where the "Tea Salón" and "Smoking Room" are redolent of the musty days of the old Empire, although the bedrooms have been brought up to modern requirements. Gellert's renowned in-house Greco-Roman swimming pool and the adjoining thermal water basins (indoor and outdoor, newly renovated) are an unbearable attraction all the year round. And on the woody Margaret Island in the middle of the Danube, somewhat upstream from the centre of the city, there is the Grand Hotel which might have served as the original setting for a stay by Ludwig Bemelmans. On a more modest scale the Austrian building credit has been used for new hotel and pension accommodation (or for improvements) in Budapest itself but also in Sopron, near the Austrian border, as well as Hévíz Spa and Keszthely on Lake Balaton.

Hungarians in the travel industry acknowledge a serious drawback: the country has only one tourist season, summer. Lustrative winter-sports are scarcely possible in a country whose highest

mountain, Kékestető, barely touches 1,000 metres. All sorts of schemes are afoot to step up tourism in the off-season. The Marketing Director of Novotel, Agnes Gonda, proudly looks out of her office-window onto the adjoining building site of the Budapest Convention Centre, to be opened in February 1985. "This," she says, "will fill an important infrastructural gap in the city. So far most of the big



Budapest lies right on the Danube.

hotels have been able to cope with meetings up to a maximum of 600 people, but then there has been nothing in between up to the Budapest Sports Stadium for 12,000. The new Convention Centre has been designed with a multi-purpose hall seating 2,000 persons for conferences and theatrical performances. Banqueting facilities (with catering by Novotel) will be available for 1,000 persons at a time. Ms Gonda is not going to wait for bookings to come in either. She already has medical and technical congresses lined up, and is working on schemes for the mass presentation of Hungarian inventions as well as new scientific topics.

Meanwhile Vera Vadas, of the Hungarian Tourist Board, has been keenly promoting the Budapest Spring Festival. This is an extravaganza of concerts, operas, ballet, mime, folklore and artshows on the last Sunday in March and the preceding nine days (e.g. 16-25 March 1984). Gastronomy gets a look in too with a competition for Young Cooks and Pâtissiers.

In downtown Budapest, undergoing lengthy restoration but still open for business is the Vörösmarty pastry shop which easily bears comparison with its renowned cousin, Demel's in Vienna (and the waitresses are down-river: look about two generations younger). Traditionalists still refer to the Vörösmarty cafe as "Garbeaud" (the family who ran it during the Monarchy) and rumour has it that this name is to be officially restored next year, providing the last surviving member of the family, living in Switzerland, approves.

1984 will also see the inauguration of a new east-west travel agency: Pento Tours of Austria and OTP (the National Savings Bank of Hungary) have set up a joint company to promote tourism in both directions. OTP with nearly 600 branch offices throughout the country looked

concluded: "The customers will benefit."

Hungary, thirsty for foreign currency, does not intend to undercut western countries as regards hotel prices. On a dollar-basis at the realistic official rate of exchange they look much the same, per category, as in, say, Austria, France or Italy. Where the Hungarians do score, though, is on the overall package costs. Restaurants are still decidedly inexpensive, excursions are cheap, guides can be hired for a song, taxis are reasonable and if you decide to try your luck on the modern, but crowded Budapest metro or tram service, the 1 Forint flat-rate fare is a gift. Museums and art-galleries, too, are excellent value.

Finally, for air-travellers, Malév, the national carrier, has since the beginning of 1983 been offering a new service to the public at large. Passengers paying the full fare are offered a seat in the so-called Comfort Class, with choice of position on flights leaving Budapest (smoker, non-smoker, window seat etc), free drink and special catering. Hungary's only international airport, Ferihegy just outside Budapest, is currently undergoing major alterations and improvements, including the construction of a new passenger terminal building on whose roof there will be a permanent exhibition of historic aircraft.

Visas are still required for visitors from most non-Socialist countries (with the exception of Austria and Finland) but frontier procedures have been speeded up somewhat recently. Only at the height of the tourist season are there any appreciable delays.

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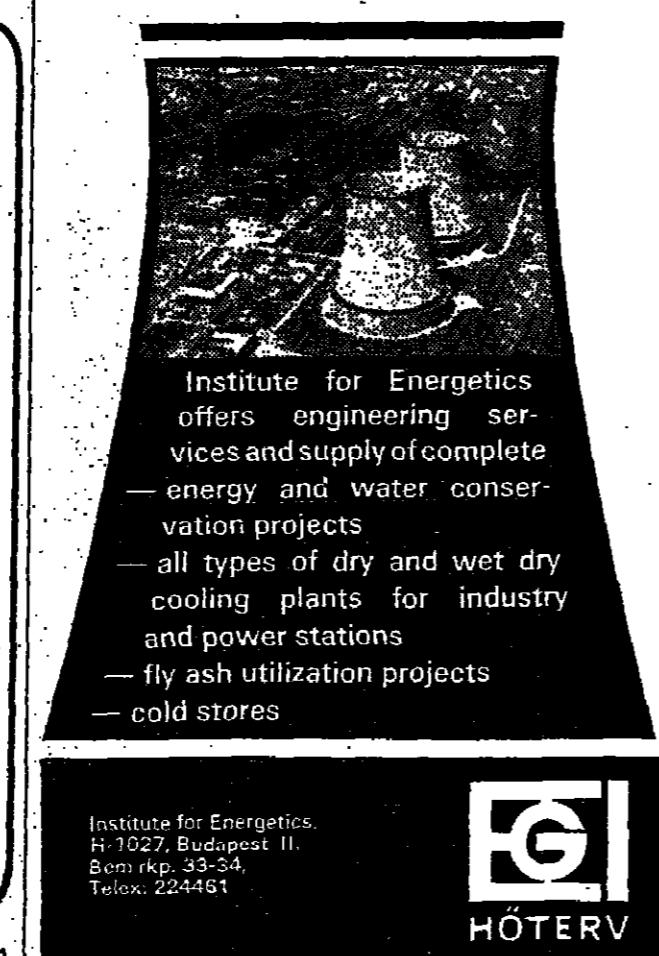
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## Total re-organisation at Tungsram

### Diversification lays foundation for the future

"Company Firs Twelve Managers" - the announcement from a firm employing 24,000 people nationwide would have aroused scant interest outside business circles if it were not - as in autumn 1983 - from a leading enterprise in the People's Republic of Hungary, Tungsram or, to give it its correct name, the United Incandescent Lamp and Electrical Company Ltd, has a tradition going back to the 1890s and had become a fixed star in the Socialist industrial firmament with a product-range covering 10,000 items for delivery all over eastern Europe. Annual sales in convertible currency amount to around US\$100 million. In common with many other Hungarian enterprises it had developed rapidly - perhaps too rapidly - during the 1970s. Big investments were made and even bigger financial commitments were entered into. By the early '80s the economic problems assumed unmanageable proportions. Creditor banks were getting worried and insisted on sweeping changes. On 1 January 1983 the whole board - with the exception of the Vice-President - was dropped and the second scholar was replaced in October.

The new Chairman of Tungsram (Vice-President since 1977) is Károly Demeter, 52, with technical and managerial background, fluent English and German speaker, and well acquainted with American corporate methods. His reform plan for the company, based on IBM's Business System Planning, and formulated after studying the organization of direct competitors abroad such as Dutch Philips and West German Osram, involves some drastic streamlining. There were some similarities too with the reorganization undertaken by AEG-Telefunken. This was not easy in a company where a good proportion of the workers followed in the footsteps of their parents and even their grandparents who had been employed during the days of the original company in the



Mounting refractor halogen lamps in the Tungsram factory.

Austrian-Hungarian Monarchy. At each stage close consultation was maintained with the trades unions, however, who agreed to an 8% job-cutting programme spread out over two years on the understanding that wages and salaries would be increased. The bulk of the job cuts are being achieved through natural attrition due to retirement. Mr Demeter admits that he would have liked to step up productivity even higher by reducing the work force still further, but is hopeful there will be such a big increase in turnover by 1985 that no more drastic measures will have to be taken.

Parallel with the slimming operation Tungsram is stepping up its

research and development activities 5-6% of turnover is being ploughed back into R&D.

Alongside lamps, components and lamp-making machinery of all kinds the company is branching out into new, related directions.

Since 1976 Hungarian Tungsram has had a licence and know-how contract with Fairchild Corporation for manufacturing integrated circuits, and in 1977 a joint-venture company ACTION TUNGSRAM was formed in East Brunswick, New Jersey. Mr Demeter thinks that diversification should go so far that Tungsram is eventually no longer mainly a lamp producer. In some respects he is keeping a

close eye on Japan because of sales possibilities but also on account of the exceptionally high quality standards enforced there from which he feels Hungarian industry can only benefit.

Tungsram has ninety years of it but progress and profits are better. The company is determined that no shadows of the past should dim its future activities.

## TIPS FOR BUSINESS TRAVELLERS

Hungarian drivers display immense tolerance for foreign motorists who get into the wrong lane in crowded streets of the capital or who risk making U-turns on the busy boulevards to avoid detours of several kilometres.

★

Do not expect to find re-routing signposts for diversions - as in Budapest at the moment - when major roads are torn up lock-stock-and-barrel for extensions to the underground railway/subway. Either carry a detailed road map or, better still, take along a local inhabitant who knows the quirks of the Hungarian road traffic system.

★

Three grades of petrol/gas freely available at fairly frequent though (with the exception of Shell) seldom well marked filling stations. Do not expect to have usual windscreen cleaning/oil-check/tyre-pressure attendance offered. A glimpse of foreign currency will work wonders, though, in this respect.

★

Warning: likelihood of encountering unlit hay-wagons and farm-carts on country-roads at night.

★

Fairly good availability of taxis in Budapest especially since private owners are now allowed to compete with the two state firms. Drivers will not object to being asked for a receipt for the fare paid.

★

Telephone service - only partially converted to direct dialling - remains rather frustrating.

★

If you want to look up the number of a business contact in the telephone book watch out. There is a separate directory for "public subscribers" (i.e., offices, shops, enterprises etc.) as

opposed to the normal alphabetical volumes restricted to private subscribers.

★

Your portable FM receiver will be useless. Hungary operates in the CIRT (East European) frequency scale which is outside the 75-108 MHz range used in West Europe and North America.

★

A small supply of western newspapers and magazines are on sale in major hotels but it is good to find out when daily supplies arrive because they tend to be snapped up quickly. M.T.I., the Hungarian News Agency, publishes a twin (English/German) daily - "Daily News - Neueste Nachrichten" - giving a short summary of world news and adequate coverage of Hungarian events, including theatres and concerts. At 6.50 Forint an issue it is a bargain.

★

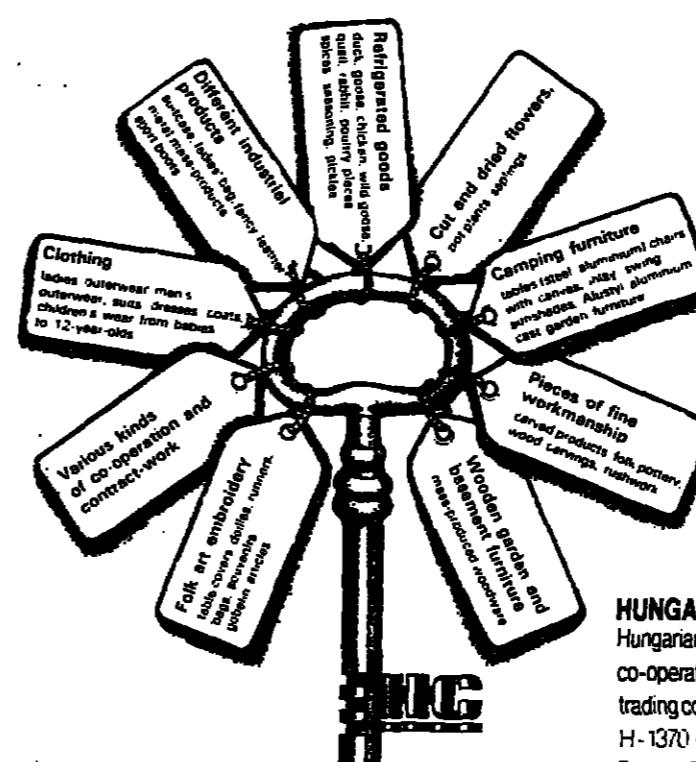
In city restaurants and eating places there is always nice glass and chinio but instead of salt and pepper you get salt and paprika. Menus are printed in three languages in all the better establishments.

★

A great fuss is made about serving wine. Even cafés "plonk" is ceremoniously presented to the host for tasting first, as well as standard bottled wines which could not be "corked" because plastic stoppers are used.

★

Whereas in the '70s western tourists were pestered at every turn in the streets of Budapest by touts wishing to acquire Dollars, Schillings, D-Marks at "advantageous" prices this annoyance has come to a complete halt since: a) the exchange-rate has been brought into line with the real purchasing power of the Forint, and b) Hungarians can have a regular, if small, foreign travel allotment on request.



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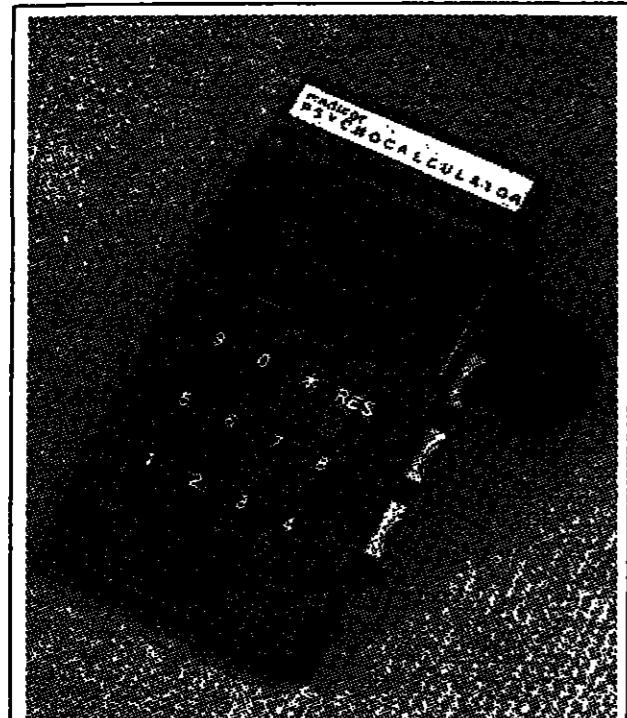
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## OVERWHELMING IMPORTANCE OF FOREIGN TRADE

### Significance of U.S. Trade and MFN status

One of the first lessons learnt when studying statistics of the Hungarian economy is the overwhelming importance attached to foreign trade, above all to trade with the West, more specifically with the member countries of OECD and the developing world. The reason is simple: Hungary is far from being sufficient in raw materials, energy carriers and certain consumer goods (cars among them). Four-fifths of the country's oil demand, one-third of all natural gas, one-third of essential chemicals and a lot of timber and various woods have to be imported (mostly from the Soviet Union). A good deal of machinery comes from western countries. Comparisons are difficult between the rubel-accounting area and countries where settlement is in convertible currency but broadly speaking half of Hungary's foreign trade is with the Comecon area. Of the other half, with the "west", roughly three-quarters is accounted for by the developed countries and one-quarter to one-third (depending upon whether it is imports or exports which are

under consideration) with developing nations. Easily the largest OECD trading partner is West Germany followed by Austria. Next on the list is Italy which is peculiar in that Hungary has an active balance there while with the others it does not. After that the list continues with Iran, the United States, France, Switzerland & Liechtenstein, and Iraq, with the United Kingdom coming roughly tenth. Overall Hungarian exports to the western world are somewhat lower than imports so that there is a chronic deficit. Hungary feels strongly about the undervalued, but nevertheless stringent protectionism which prevents it from being the headway it deserves on west European markets. The western countries in effect operate a tariff union which excludes Hungary from the benefit of free trade. This applies not only to the European Economic Community, but also to the countries of EFTA, the European Free Trade Association, which have concluded individual trade agreements with the Common Market. This is particularly disastrous with respect to finished products from



Prototype of "Stress Manager" for sale in US.

At the other end of the scale from the trailer-sized mass radiography unit, Medicor has come up with a gadget for providing spot checks on an individual's state of mind. The "Psychocalculator" is a hand-held instrument developed and manufactured for examinations where a quick psychological evaluation can be provided from a person's answers to simple or complex visual or acoustic stimuli. Three buttons on the side of the instrument are touched by fingers of the patient's left hand. These buttons are the electrodes of psychological parameters. One of them is a photo-electric pulse detector, while the other two electrodes measure the galvanic skin resistance (GSR). Measurement of pulse-rate and GSR is carried out simultaneously during the psychological test and the values are processed for instant read-out (on the unit's own LED display) or for interface print-out. The "Psychocalculator" was originally designed for use in aeronautical and cosmonautical training but has since found a wide series of applications in business, industry and education. Medicor's Márton: "Whereas Rubik and his Cube appealed to 'homo ludens', we want to catch 'homo inquirens', because everyone is curious about his own psyche". The "Psychocalculator" is shortly to be marketed in the United States (under the name "Stress Manager") in the US\$100 price range.

### MEDICAL TECHNOLOGY FOR THE MASSES

#### Efficient units at reasonable cost

Developing countries can sometimes postpone industrial investment but it is impossible for them to delay medical investment. This is, at least in part, the reason for the success of Medicor, the leading Hungarian enterprise in the field of medical technology. Founded in its present form twenty years ago the Medicor works in Budapest are proud of a local surgical instrument-making tradition dating back to the days of the Thirty Year War. Medical instrumentation in 1983 is light-years away from those crude scalpels and bone-saws, but their lined successors are still in use today and are likely to be for centuries to come. Several thousand various steel instruments are now in the production programme, as well as production items such as disposable injection needles (400 million p.a.) and more than 400 types of apparatus ranging from complete operating theatre equipment to pocket-size diagnostic devices. Medicor's Chairman, István Márton, who is also Vice-President of the Hungarian Chamber of Commerce, insists that he and his company have a very special philosophy: "Our main goal is to

cover the needs of primary health care as defined by the Alma Ata Programme of the World Health Organization, namely The Minimum Care for Everybody by the Year 2000".

So we do not aim to produce luxury units for installations which tend to be status symbols rather than effective medical aids. The real danger nowadays in the medical world is the cash-explosion. Every country is experiencing this. Health-care costs are escalating from year to year, and not only in the developed world.

Medicor, which has a large trade network abroad and is entitled to export its own products independently of the state

trade organization is in a position to supply turnkey hospitals and complete medical systems, in each case robust, efficient units at a reasonable price. That

is not the end of the story, though. With clients in the developing countries – in 1983 these have been Nigeria, Algeria and Iraq, for instance – there is then a vital need for follow-up facilities. Medicor system-specialists are sent to live

on the spot – not in the capital but in the countryside where the hospitals and units are functioning – so that they are always on hand ready to help. This has the additional advantage, of course, that Medicor headquarters in Hungary can be kept informed in plenty of time about the next steps planned in the given country's health service. Furthermore, 1,000 – 1,200 foreigners are instructed in care and maintenance every year at Medicor's own Training Centre in Budapest. The individual courses

last from ten days to three weeks.

An increasingly important branch of Medicor activity – channelled through a section called MECOSY – is the provision of integrated medical systems and sub-systems for countries requiring them and wishing to benefit from the well-tried Hungarian experience. This could include an emergency medical network, with rescue and patient transportation systems, or a complete blood transfusion and supply method. A contract for just such a system has been landed, for instance, in Nigeria at District level.

Nearly ten percent of the company's 8,000 employees are engaged in research and development. Currently they are working on designing a self-contained X-ray unit to WHO specifications which incorporates everything that is essential and nothing which is not. This will still have to function, for instance, in remote districts of an African country where it is not unusual for electricity supplies to be cut off for 6–8 hours at a time.

Although there is nothing

strategic about this medical equipment

Mr Márton regrets that

increasing difficulties are being

encountered in importing elec-

tronic components from the west.

So far this has not set back

Medicor's own production but

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States in 1978. Ever since then exports to America have risen annually. This year, for instance, exports will be between US\$ 160–170 million (although imports will still outstrip them – some US\$ 200 million). The snag, so far as Hungary sees it, is that MFN status has to be renewed each year with the corresponding disadvantage that American businessmen are reluctant to enter into any long-term commitment. Hungary would prefer, and has been pressing for, a three-year MFN

spare. The other hitch – which applies not only to Hungary among the Comecon countries – is export licensing. Although this has become somewhat clearer during the past year American firms still do not always know whether the goods they want to sell to Hungary are on the COMCOM list, and instead of creating potential difficulties for themselves simply drop the whole deal. A leading civil servant in the Budapest Secretariat for International Economic Relations, the Deputy Director-General, István Nádor, is worried in this respect about the somewhat simplistic view of Hungary which many Americans have. When they actually come to Budapest they are then surprised to see how sophisticated things are – the level of development, the standard of agriculture, the frankness of the discussions. US Vice-President George Bush's recent remarks "differentiating" Hungary from other eastern European countries, for instance, raised more than one eyebrow in this part of the world. No European politician (who might well think the same) would ever express himself so incautiously.

What really counts is Hungary's credit rating in world eyes and

this is distinctly good. Putting the external balance of payments in order has been the Number One priority since 1978, and year by year this has improved. As far as convertible currency is concerned 1981 was the first year when exports and imports were balanced. In 1982 a surplus of some US\$ 520 million was achieved. This year the target was US\$ 800 million but the actual prospects are for only US\$ 600 million (due in large part to the serious shortfall in agricultural output, and exports, as a result of the prolonged drought). With total Hungarian exports of about US\$ 3.5–4.0 billion the US\$ 200 million drop is quite substantial. The medium-term effect will also be disadvantageous since the shortage of foreign will limit agricultural exports next year too. It should not be forgotten that the overall proportion of farm products in total exports from Hungary to western countries is about 28–30%. There is a noticeable trend, in this respect however, away from livestock towards prepared meat products (i.e., the success of canned ham sales in the United States). Furthermore exports of seeds are growing rapidly and establishing a growing reputation in many countries. Of course salami and wine, the traditional products, continue to do well, although labelling specifications are proving an unsurmountable hurdle in some European countries. Insiders know that Hungarian goose-livers are a prime export to France (where they presumably find their way into Strasbourg's famous pâté de foie-gras). And France has responded by selling Hungary a new hybrid duck species for breeding, with low fat, tasty meat and an outside liver which is said to match the quality of goose-liver.

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## EXPORTS AND JOINT VENTURES

### EAST, WEST AND SOUTH

The Men from the Ministry have a mission in Hungary: export is everything for specialists sitting in the well-appointed, finely panelled offices of the Department of Foreign Trade in Budapest. Exporting, but also promoting joint-ventures and projects on third markets. Here, as in so many fields of public life in Hungary, a pragmatic solution has been found to a pressing problem: how to make an inherently bureaucratic body swing in the hard world of business. The answer has been to inject the profit motive, by forming separate companies with clear responsibilities.

cases where intercooperation makes tri-partite arrangements with western companies operating in the Third World, e.g., current participation in a pipeline building project in Iraq, using Hungarian manpower and engineering skills. In Egypt there are plans to set up a bottling plant using fruit-juice concentrates from Hungary. With its sights set firmly on providing better service and better conditions in order to get business, intercooperation already has offices in London, and Frankfurt-am-Main and is contemplating an additional location in the Far East, probably Kuala Lumpur.

Also responsible to the Ministry

is a Translektro partner, too, Elektromax, which makes the "Grikotop", for cooking and baking by hot air circulation, a Hungarian invention.

One of the most recent profitable Hungarian ministerial export ventures has been in the construction field. The Ministry of Housing decided three or four years ago that the country's building industry should participate more actively in business abroad.

EMEXPORT, a company founded by the Ministry, with over a quarter of a century of experience in the field, has since fulfilled contracts in 32 countries. EMEXPORT began its main contracting abroad with the construction of hotels in Czechoslovakia and the Soviet Union, but has since expanded its activities greatly with such varied projects as a Biological Combine in Mongolia, a glass-works in Cuba, and a container-storehouse in Hamburg, West Germany. In addition, EMEXPORT has been instrumental in providing "instant accommodation" in the shape of simple prefabricated dwellings for the victims of earthquake disasters in Italy.

Medical instruments for export from the Medicor Works at Esztergom.

Take Intercooperation Co. Ltd. for example. The "enterprising enterprise" as it calls itself belongs to the Ministry of Foreign Trade, as a main shareholder, but has participation from the Hungarian National Bank, the Foreign Trading Bank and several large Hungarian companies. Established fifteen years ago specifically to bring together international industrial and agricultural ventures it specializes in purchasing know-how and licences, sometimes financing projects out of its own basic capital. Intercooperation (which, to the confusion of most Hungarians, uses exclusively its English name) claims no particular profile. It can, and does, wheel and deal in the most widely varying sectors. Twist-drills, horticultural implements, complete sewerage plants, thermal power station equipment – boilers, generators, turbines etc., either complete or tailored to tender requirements. Similarly, transmission equipment is supplied including high-tension transmission lines up to 750 KV. Construction is already in progress, for instance, on a 132 KV transmission line contract in Abu Dhabi. Then there are Hungarian specialities such as cooling systems, using the Heller-Forgó patent for dry regions with no water. Licence agreements have been concluded for this with companies in different parts of the world, including Alusuisse, Westinghouse and in the People's Republic of China. Now Iran is showing signs of interest, too.

Coming down-range somewhat, Translektro deals in all kinds of industrial electrical equipment – motors, switches, switchgear, transformers – catering equipment, refrigeration equipment for supermarkets and restaurants, and air-conditioning plants for hotels and hospitals. Hungarian built-in kitchens are

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## BUSINESS/FINANCE

SATURDAY-SUNDAY, DECEMBER 10-11, 1983

## Statistics Index

AMEX prices	P 16	Filing Rates	P 16
NYSE prices	P 12	Gold Markets	P 13
Canadian stocks	P 12	Highs & Lows	P 13
Corporate Rates	P 14	Interest rates	P 14
Commodities	P 14	Market Summary	P 12
Dividends	P 14	OTC Stocks	P 16
Earnings reports	—	Other Markets	P 16

Page 13

## ECONOMIC SCENE

By LEONARD SILK

## Fears of Investors, Credit Demands Among Reasons for High 'Real' Rates

**N**EW YORK — Why have "real" rates of interest, defined as nominal rates minus the current rate of inflation, remained so high despite the world economic slump and the decline in inflation? James J. O'Leary, economic consultant to United States Trust Co. of New York, says there are several reasons.

One important factor, he points out, is that investors fear an upward surge in the rate of inflation. They expect business-cycle pressures on prices and interest rates to be intensified by political pressures for rapid growth in an election year. And they are worried about underlying inflationary forces, especially the prospective big federal budget deficits.

In addition, Mr. O'Leary says, a majority of long-term investors, including life insurance companies and thrift institutions, are unwilling to commit money to fixed-rate, long-term obligations except at premium rates.

Performance-oriented fund managers, seeking the highest possible returns quarter by quarter, dominate the bond market, Mr. O'Leary points out. Poor performance for even half a year can cause the loss of an account. This makes the fixed-income bond market highly volatile, and that volatility increases risks and the level of real interest rates.

Then, too, total credit demand is climbing. Mr. O'Leary estimates that in 1983 the total net increase in credit will be \$65 billion, 18 percent higher than in 1982. While the recovery did not generate much rise in corporate bond financing or business borrowing at the commercial banks, there were big increases in consumer credit, home mortgages, tax-exempt bonds and borrowings by the U.S. Treasury and federally sponsored agencies.

Because of the persistence of inflationary expectations, the Federal Reserve has had much less leeway to ease credit. The result has been to keep short-term real rates of interest unusually high.

While Mr. O'Leary does not mention it, financial deregulation looks like another root cause of high real interest rates. This point is reinforced by an economic analysis at the Commerce Department by its chief economist, Robert Ormer, and Carl Cox, director of the Office of Business Conditions. As part of a continuing study of the national economy, the Commerce economists found that Mr. Ormer called "very normal" relations between interest rates and changes in supply and demand factors, including the federal deficit, from 1955 through 1978.

But, starting in 1979, the past relations broke down. A significant cause of the trouble, Mr. Ormer suggests, was the onset of banking deregulation, the lifting of interest-rate ceilings and the introduction of new kinds of bank deposits. By intensifying competition among financial institutions and raising the cost of funds, deregulation may have caused a quantum jump in interest rates.

Developments in international trade and payments may also have contributed to the climb in interest rates. The growing U.S. trade deficit was offset by a mounting inflow of foreign capital, attracted by high interest rates. This added unexpected strength to the dollar. Other countries, while bitterly complaining about high U.S. interest rates, pursued monetary policies that kept their own rates high, partly to arrest deterioration of their own currencies, partly to check inflation. International debt problems, by aggravating financial risks both in the developing and industrial countries, raised the global level of real interest rates.

## What Can Be Done?

The persistence of high real rates of interest could retard investment and world economic growth for years to come. What can be done to bring real interest rates down?

The analysis implies the remedies. While the problem is international, the solution must start in the United States, the key factor in the world monetary and financial system. Although big budget deficits are not the sole cause of the problem, it is hard to imagine a solution that will not involve a significant reduction in deficits, both to reduce overall demand for funds and to quiet expectations of new rounds of inflation and fears of intensified competition between public and private borrowers.

A less stimulative (smaller deficit) fiscal policy would ease the way for a somewhat more expansive monetary policy, which would make more reserves available for the banking system and help scale down interest rates. The same medicine applies to foreign countries with high deficits.

The deregulation of financial markets in the United States looks irreversible. In time, however, the shakeout among financial institutions may bring down their cost of funds and lending rates.

A moderate course of economic expansion, rather than a breakthrough motivated by electoral considerations, would ease the growth of private credit demand and reduce undue pressure on prices and interest rates. Continued actions to shore up the international monetary system, by keeping trade open and helping the developing countries to handle their heavy debt burdens, would reduce risk premiums and help bring down interest rates. Some progress in that direction was made this year.

Coordinated international programs for joint monetary expansion would help. But the most important measures needed to reduce real rates of interest are those to be taken by national governments at home, especially the government of the United States, to reduce budget deficits.

New York Times Service

## CURRENCY RATES

By Thomas J. Lucke

New York Times Service

**N**EW YORK — Coleco Industries, whose fortunes and stock price have dipped and crested wildly in the last decade, is riding what is arguably the most turbulent sea in its corporate life.

As the maker of the Cabbage Patch Kids, the pudgy-faced dolls now feverishly sought for Christmas gifts, Coleco might be thought to be awash in profits and self-congratulation.

Instead, Coleco is nearing a deadline on bank financing. And some question whether it will survive.

Coleco, which is based in Hartford, Connecticut, obtained \$150 million in credit last May from a group of banks led by the Chase Manhattan. The company used the money principally to construct and gear up production facilities for the Adam, a low-priced home computer.

A provision in its credit agreement requires the company to submit to a "cleanup period," in which its entire line of credit must be paid off for 30 days. The agreement stipulates that this period must begin by the end of January. And with Coleco spending heavily on Adam, it has used more than \$100 million of the credit line.

Morton E. Handel, Coleco's chief financial officer, said talk of bankruptcy is "ridiculous." He said there is "no chance" of the company failing to satisfy its bankers. He said unfounded fears about Coleco's financial position had been promulgated by Wall Street analysts and investors who have been short selling Coleco's stock.

The Adam, conceived more than a year ago as the first complete computer and word-processing system to retail for as little as \$600, has sold 2.5 million shares, or about 15 percent of the company's stock, in a short position.

## Key Money Rates

United States

Discount Rate

Federal Funds

Prime Rate

Broker Loan Rate

Com. Paper, 30-179 days

3-month Treasury Bills

6-month Treasury Bills

CD's 28-39 days

CD's 60-69 days

West Germany

Lombard Rate

Overnight Rate

One Month Interbank

3-month Interbank

6-month Interbank

Japan

Discount Rate

Call Money

6-month Interbank

Closes

Prev.

Closes

Closes

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Closes

## Fed Says M-1 Eased In Week

United Press International

**N**EW YORK — The narrowest measure of the U.S. money supply known as M-1 plunged \$2.1 billion in the latest week and other Federal Reserve data raised questions over whether the Fed has tightened or loosened its grip on money.

The broader money supply measure known as M-2 rose \$14 billion in November and M-3 was up \$26.7 billion, leaving all three measures within the Fed's annual growth targets at the end of November.

Other data showed banks were in a so-called free reserve position of \$40 million following four weeks of a sizable net borrowed figure that had been the major reason for the belief that the Fed had tightened.

David M. Jones, economist at Aubrey G. Lanston & Co., believes there were special factors that caused a distortion in the latest reserve figures.

"I still believe the Fed had moved early that week to tighten up modestly," Mr. Jones said. "But I also think that will be sufficient to keep the funds (federal funds overnight) rate at current levels and the Fed will stabilize its position."

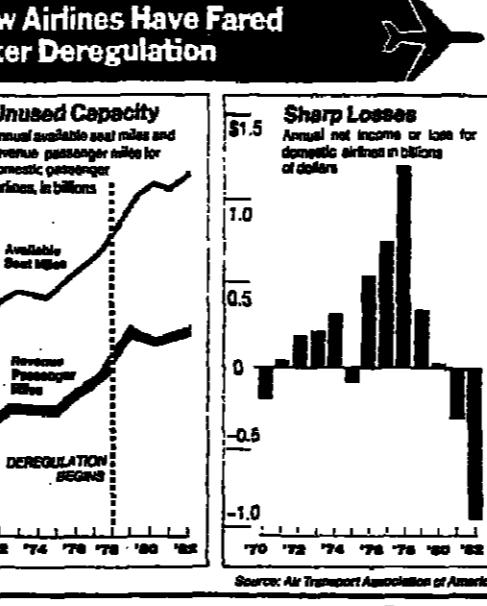
But for George McCauley, the corporate energy manager for the Archer-Daniels-Midland Co., a grain processing company in Decatur, Illinois, deregulation has meant more inconvenience on his frequent business trips. The only major airline, Ozark, stopped flying out of Decatur several years ago.

Mr. McCauley must now rely on Bran Airways, a small commuter line, for his flights to O'Hare International Airport in Chicago or Lambert International Airport in St. Louis. The result is fewer nonstop flights, more time spent making connections and, even worse, an increasingly unpredictable flight schedule.

"It's harder," he said. "They are constantly changing their schedule."

The effects of deregulation are mixed not only for the traveling public but also for the airlines. Some, such as United, American, Delta and Northwest, have developed effective strategies, including successful cost-cutting negotiations with their unions, to cope with the new business environment. Others, such as Continental, Eastern and Trans World Airlines, are still retrenching and trying to reconcile matters with their unions.

The industry has seen a flock of new entrants, some of which, including People Express and New York Air, have prospered and grown, while others, such as Air Florida, have not. Still others, such as



## Large Airlines in U.S. Adjusting to Decontrol

By Agis Salpukis

New York Times Service

**N**EW YORK — For Geraldine Gallela, just off a People Express flight at Newark International Airport, deregulation of the U.S. airline industry has been a boon. For \$23, one way, she can fly to Burlington, Vermont, and take a short bus ride to visit relatives.

Without the airline's low fare, Miss Gallela, a biochemist at the State University of New York at Stony Brook, said she would not make the visits. Without deregulation, which went into effect in 1978, People Express would not exist to offer the low fares.

But for George McCauley, the corporate energy manager for the Archer-Daniels-Midland Co., a grain processing company in Decatur, Illinois, deregulation has meant more inconvenience on his frequent business trips. The only major airline,

## NYSE Most Actives

Dow Jones Averages						
	Open	High	Low	Close	Chg.	Chg.
Indus	1262.20	1268.09	1259.03	1260.04	+1.53	1.53
Trans	407.90	410.43	400.34	404.91	-3.37	-3.37
Util	134.30	134.67	133.33	133.91	+1.11	1.11
Coms	507.26	509.53	502.57	505.84	-1.50	-1.50

NYSE Index					
	High	Low	Close	Chg '98	Chg '97
Composite	95.44	95.08	95.39	+0.04	+0.04
Industrials	111.12	110.71	111.10	+0.04	+0.03
Transac.	100.62	100.35	100.45	+0.03	+0.03
Utilities	47.24	47.09	47.33	+0.18	+0.18
Finance	93.20	94.07	94.97	-0.36	-0.36

## Friday's NYSE Closing

Vol. of 4 p.m. 95,200,000  
 Prev. 4 p.m. Vol. 95,530,000  
 Prev Consolidated Close 122,463,440

**Prices include the nationwide prices up to the closing on Wall Street**

AMEX Diaries		Close	Prev.
Advanced		294	213
Declined		256	325
Unchanged		245	225
Total Issues		835	813
New Highs		12	25
New Lows		10	7
Volume up		3,169,400	
Volume down		1,716,375	

NASDAQ Index				
	Close	Chg/95	Week Ago	Year Ago
Composite	268.51	-0.06	263.51	253.45
Industrials	257.72	-0.23	251.54	272.52
Finance	276.04	+1.67	277.47	247.00
Insurance	265.13	+0.13	263.27	222.45
Utilities	278.80	-0.74	281.23	304.97
Banks	201.94	+4.33	201.39	158.43
Transp.	265.58	+0.03	265.52	196.02

Dow Jones Bond Averages		
	Close	Chg/95
Bonds	67.98	-0.24
Utilities	64.71	-0.37
Industrials	73.24	-0.14

AMEX Most Actives					
	Vol.	High	Low	Close	Chg.
Vroth S	2245	129%	126%	127%	+1%
TexAir	2245	5%	5%	5%	+1%
EchoB wd	2245	8	7%	7%	+1%
Crucible	2245	4%	3%	4	+1%
DorGes	2100	21%	21	21%	+1%
Hoffmann S	2055	21%	19%	21%	+1%
Worrell S	1444	24%	23%	24%	+1%
DORPD S	1374	3%	2%	2%	+1%
Domec S	1113	3%	2%	2%	+1%
Azurite S	1091	3%	17%	18%	+1%

## Meese Predicts Struggle: To Keep Inflation Down

Reuters  
WASHINGTON — The Reagan administration is going to have a battle to keep inflation at its present low level, according to the White House counselor, Edwin Meese. <sup>24</sup>

"It is always difficult to keep it as low as it is now because we are really at an all-time low for

The administration has made political capital of the fact that inflation as measured by consumer prices is at an annual rate of 3 percent. But economists say the economic recovery could bring a renewal of inflation in 1984, when President Ronald Reagan will probably be running for re-election.

Meese Predicts Struggle  
To Keep Inflation Down

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WASHINGTON — The Reagan administration is going to have a battle to keep inflation at its present low level, according to the White House counselor, Edwin Meese 3d.

"It is always difficult to keep it as low as it is now because we are really at an all-time low for the past 10 to 15 years," he said Friday.

The administration has made political capital of the fact that inflation as measured by consumer prices is at an annual rate of 3 percent. But economists say the economic recovery could bring a renewal of inflation in 1984, when President Ronald Reagan will be running for re-election.

12 Month	High	Low	Stock	Div.	Yld.	PE	Sls.	100s	High	Low	Quot.	Chge	Close
<b>A</b>													
174. Bk - AAC	44	32	17	29	29	14	135%	125%	—	—	—	—	—
524. Bk - ACF	1.40	28240	253	504	504	504	504%	504%	504	504	504	504	504
184. Bk - AMCA	5.00	52	6	19	19	19	19%	19%	19	19	19	19	19
185. Bk - AMCO	1.40	28240	253	504	504	504	504%	504%	504	504	504	504	504
186. Bk - AMT	5.00	52	7	24	24	24	24%	24%	24	24	24	24	24
187. Bk - AMT Co	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
404. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
414. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
524. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
724. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
734. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
744. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
754. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
764. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
774. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
784. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
794. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
804. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
814. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
824. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
834. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
844. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
854. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
864. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
874. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
884. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
894. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
904. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
914. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
924. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
934. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
944. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
954. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
964. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
974. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
984. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
994. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1004. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1014. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1024. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1034. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1044. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1054. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1064. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1074. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1084. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1094. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1104. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1114. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1124. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1134. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1144. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1154. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1164. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1174. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1184. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1194. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1204. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1214. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1224. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1234. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1244. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21
1254. Bk - AMT	1.20	212	21	21	21	21	21%	21%	21	21	21	21	21

## BUSINESS BRIEFS

## Iacocca Agrees to Stay at Chrysler, Wins Big Bonuses of Stock, Options

DETROIT (Combined Dispatches) — Lee A. Iacocca, who has been working without a contract since he joined Chrysler Corp. in 1978, has agreed to remain its chairman for at least three more years in return for substantial bonuses of stock and stock options.

The automaker announced Thursday after its board met in New York that Mr. Iacocca would receive 150,000 Chrysler shares — now worth about \$4.2 million — in three years plus 50,000 more if he stayed with the company an additional year or more. He is to get options to buy 300,000 shares at the current price of \$28 a share after three years and 100,000 after four years.

In the past Mr. Iacocca had suggested that he might retire after the \$1.2 billion in government-guaranteed loans that saved the company from bankruptcy in 1979 and 1980 had been repaid. Lately, however, he has been saying he enjoys his job now that Chrysler's fortunes have improved. The loans were paid off this year, seven years before coming due.

Also Thursday, Chrysler reorganized its car- and truck-development divisions into a new unit that Mr. Iacocca said would provide more cost controls. In other action, the automaker said it would begin buying back an unspecified number of shares of its \$2.75 preferred stock. (NYT; UPI)

## U.S. Money-Fund Assets Off, Yields Up

NEW YORK (UPI) — Assets of U.S. money-market mutual funds were down \$217 million in the latest week to a revised \$165.62 billion. Money-fund yields rose, and were eight basis points, or hundreds of percentage points, more than competing bank accounts.

The Investment Company Institute, a Washington-based industry group, said a \$262-million rise in general-purpose funds was offset by a decline of \$111 million and \$268 million, respectively, in brokerage and institution-only funds. The institute revised the previous week's drop to \$494 million because a new \$86.2-million brokerage fund was reporting.

The Depository Organization said average seven-day yields on money-market funds rose to 8.55 percent from 8.49 percent last week. The company attributed the rise to a jump in rates on repurchase agreements, short-term certificates issued mostly by financial firms using Treasury issues as collateral. Thirty-day yields were unchanged at 8.53 percent.

## Ford U.K. Workers Accept 7.7% Rise

LONDON (Reuters) — Ford Motor Co.'s British subsidiary said Friday that union leaders representing 44,500 workers had accepted a 7.7-percent pay offer from the company.

Industry sources had predicted acceptance following the split vote among Ford workers on a union call to reject the offer and strike starting Jan. 3. About 24,000 workers voted against the offer and 18,000 to accept, but the 24 Ford plants in Britain voted 13 to 10 to accept, with one unresolved. Ford unions traditionally accept the plant vote.

## Dissident Holders Win Control of GAF

NEW YORK (NYT) — A dissident shareholder group led by Samuel J. Heyman has won the bitter contest for control of GAF Corp. after a three-judge federal appeals panel unanimously overturned a lower court decision calling for a new shareholder vote.

Mr. Heyman, a Connecticut real estate developer, and his slate of directors won 58.3 percent of the vote cast at GAF's annual meeting last April. But he was denied victory in June when a U.S. District Court judge ordered another vote because Mr. Heyman, who was being sued by his sister over his administration of a family trust, had not divulged information related to that suit that might affect the ownership of GAF stock.

On Thursday, the 2d U.S. Circuit Court of Appeals in New York ruled that, "presented with a clear choice, the shareholders voted decisively in favor of the insurgent slate." Given this resounding mandate, the court said, it was inconceivable that fuller disclosure of the family lawsuit would have had a significant effect on the voting.

## EC Resists China's Demand on Textiles

BRUSSELS (Reuters) — Official sources said Friday that after almost three weeks of intensive talks the European Community appeared to be standing firm against pressure from China for a large increase in its textile exports to the EC.

A Chinese delegation came to Brussels on Nov. 21 urging increases averaging well above 20 percent for its textile and clothing exports when a five-year pact runs out at the end of the year, the sources said. But the community, whose domestic producers already face stiff competition from imports, wants average increases kept below 10 percent, they added.

Although no breakthrough is in sight, the talks are expected to continue for a fourth week, the sources said.

## Stenhouse Opposes Bid From Affiliate

LONDON (Reuters) — Stenhouse Holdings Plc. is recommending that shareholders reject the merger offer from its Canadian affiliate, Reed Stenhouse Cos. Ltd., the company said in a statement Friday.

Stenhouse Holdings said its shareholders would receive 631,000 new shares in Reed Stenhouse than Stenhouse Holdings now has. Other Stenhouse Holdings assets would be virtually given away, the company maintained.

The terms proposed by Reed Stenhouse consist of one Reed Stenhouse class C share and 20 pence in cash plus one Stenhouse Holdings new dividend share for every five existing Stenhouse Holdings ordinary shares. The offer, announced in mid-November, valued Stenhouse Holdings at about \$33 million (\$76.3 million).

## IN 1979, THE TOYS AND GAMES SECTOR LOST 48%

## U.S. Reportedly Is Refusing to Match Other Countries' Pledges to the IDA

By Peter Kenyon  
Reuters

PARIS — International talks on raising money for low-cost loans to the world's poorest countries were thrown into confusion Friday by the refusal of the United States to match pledges from other leading Western countries, sources close to the talks report.

Disclosure of the U.S. position came as representatives of the 33 donor nations started a two-day session aimed at setting the funding level for the seventh replenishment of the World Bank's soft-loan affiliate, the International Development Association.

The sources said that all countries except the United States, the largest donor, had expressed a will-

ingness to participate in a plan to provide \$12 billion to the program over the next three years.

The sources said it was evident from the U.S. position that there was no hope of reaching an overall agreement and that it was unclear whether the talks would even continue into a second day.

Marc E. Leland, assistant U.S. Treasury secretary for international affairs, told the meeting that the United States would pay no more than 25 percent of a \$9-billion program for the association over three years. That works out to a \$750-million U.S. contribution a year.

Interviewed before the meeting, Mr. Leland said he had no room to maneuver following the approval of the U.S. position by President Ronald Reagan.

Mr. Leland, the chief U.S. delegate at the talks, warned that the United States is not prepared to bow to pressure from other donors to increase its planned contribution. "Nine billion is a lot of money; it's better than nothing," he said.

Earlier this month World Bank President A.W. Clausen met U.S. officials in an effort to get the United States to provide \$1 billion a year for each of three years, a contribution that would bring total funding for the IDA program to \$12 billion.

The IDA provides loans to the world's poorest nations, mainly in sub-Saharan Africa and South Asia. No interest is charged on the loans, and the borrowers have up to 50 years to repay.

## Panel Tells Allianz To Clarify Its Aims On Eagle Star Bid

By Alan Wheatley  
Reuters

LONDON — The Monopolies Commission has told Allianz Versicherungen AG that it must clarify its Eagle Star Holdings PLC bid intentions next week, though no specific final date for a statement has been set, a panel spokesman said Friday.

Market sources said Allianz and its financial advisers, Morgan Grenfell & Co., appeared to have broken new ground in the interpretation of the London takeover code earlier this week.

The takeover panel had asked Allianz to state its bid plans by the start of business on Dec. 5.

Allianz said it would improve on the 660 pence (\$39.50) a share competing bid from BAT Industries PLC after holding talks with Eagle Star, but did not specify a figure. The panel said it was satisfied with this statement.

## IMF Said to Have Pledges For Brazil Export Credits

By Alan Wheatley  
Reuters

But a senior banker said other countries, principally West Germany and France, had agreed in private to underwrite the remaining \$1 billion. "De Larosière feels he's got the money lined up," the banker said.

The sources were unable to provide a breakdown of how many governments were participating in the package or how much each was providing.

Government sources in London said Thursday that Britain was still not planning to join the package, contrary to a press report in São Paulo.

In addition to supplying export credits, governments have resolved more than \$2 billion of official Brazilian debt.

Disbursement of \$1.8 billion of an earlier, \$4.4-billion commercial bank loan was suspended in May after Brazil failed to meet the IMF's economic performance targets, bankers noted. Brazil agreed on a revised program with the IMF last month, and banking sources said Brazilian officials and lawyers were now in New York to arrange for the \$1.8 billion to be disbursed Dec. 12.

## Dollar Rises to New Peaks, Gold Falls As Regan Sees High Rates Continuing

United Press International

NEW YORK — The U.S. dollar soared Friday in New York and even a decline in the U.S. money supply failed to hinder it. Gold prices eased and ended the week about where they started before this week's rally.

Zurich gold finished at \$389.50 an ounce, down from Thursday's close of \$401.50. In London, gold closed at \$388.875 an ounce, down from \$402.125 the day before.

Republic Bank closed cash gold in New York at \$388.75 an ounce, down from \$389.50 Wednesday. On the New York Commodity Exchange the December contract was

settled at \$388.40, down from \$388.90.

"The trading was mostly comprised of longs trying to even out their positions ahead of the weekend," a bullion trader said. "With a lot of the attention on the dollar there was very little interest in metals."

The dollar was mixed in Europe but advanced strongly in New York, going through 2.75 Deutsche marks at one point and soaring through the key 2.20 level on the Swiss franc.

A Paris dealer said there was initial reaction to reports that Treasury Secretary Donald T. Regan had predicted that U.S. interest rates would stay at current levels.

## Australia to Float Currency Owing to Big Capital Inflow

United Press International

CANBERRA — The Australian government announced Friday it will allow the Australian dollar to float freely instead of being fixed daily by the government-controlled Reserve Bank.

This will mean we will have a much more flexible and responsive exchange rate management regime," he added.

Mr. Keating said controls relating to tax havens and foreign investment policy would be maintained.

Financial institutions will be permitted to offer foreign currency denominated accounts to their clients, activities previously restricted to the Reserve Bank.

Mr. Keating made his announcement after a special cabinet meeting to decide the fate of the Australian dollar.

Earlier in the day, Australia and New Zealand stopped all trading in foreign currency pending an announcement.

## Why Tangible Assets Will Mean Fortunes

Currency Demand Reverses Earlier Flight from Dollar

The real value of the Australian dollar will not be set until the money market opens for trading on Monday.

Mr. Keating said the float would stop speculation on the Australian money market.

"It means the speculators will now be speculating against themselves rather than the Australian dollar.

The decision means the Australian dollar should be revalued upwards because of the heavy inflow of overseas money that has been fueling growth of the money supply.

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## TransCanada Resisting Offer From Bell Canada

By Douglas Martin  
New York Times Service

TORONTO — Bell Canada Enterprises, which restructured earlier this year to reach beyond its traditional utility role, has generated considerable investor interest in recent months. It is now causing even more interest by trying to capture Canada's biggest pipeline company.

Montreal-based Bell announced this week that it had agreed to pay 167 million Canadian dollars (\$134.2 million), or 31.50 dollars a share, to acquire the 11.8-percent interest in TransCanada Pipelines Ltd. that is held by Dome Canada. It immediately offered the same price for all of TransCanada's 45 million shares, or an indicated 1.42 billion dollars.

Bell has stressed that it does not want to acquire all of TransCanada, although it is willing to do so. Nonetheless, TransCanada is nervous enough to resist vigorously and has turned the offer "not fast and definitely from a financial point of view."

The battle, one of the biggest in recent Canadian corporate history, would be equivalent to American Telephone & Telegraph Co. trying to buy part of Temco Inc., which owns the largest pipeline company in the United States.

To coax shareholders to remain on board, TransCanada, which owns 6,200 miles (9,920 kilometers) of natural-gas pipeline stretching from Alberta to Montreal, is offering shareholders a dividend increase of 13 Canadian cents a share, to 48 cents, and proposing a 2-for-1 stock split.

"It's the money," said John Zindner, a company spokesman, "We think it's too low."

Analysts say the pipeline company's negative response also reflects an unwillingness to lose control of the company. "They don't want anybody buying a big chunk of them and telling them what to do," said Laird Grantham, an analyst with the Toronto securities firm of

## IBM Official Expects Faster Growth in '84

By Michael Blumstein  
New York Times Service

NEW YORK — An official of International Business Machines Corp. has told securities analysts that revenue growth in 1984 will exceed the 14.5-percent pace of recent years, suggesting strong profits.

If Bell were to acquire all of TransCanada, it would displace Canadian Pacific Ltd. as the biggest company in the nation in terms of assets and would be the second biggest in sales, behind Canadian Pacific. A combined Bell-TransCanada would have generated 11.9 billion dollars in sales last year on assets of 18.1 billion dollars, versus Canadian Pacific's 12.3 billion dollars in sales and 17.3 billion dollars in assets.

"Bell can't lose," said an analyst, who asked not to be identified. Whatever amount of TransCanada it ends up with will help its earnings; the higher dividends it will receive are almost as profitable as holding cash, and if another company steps in with a higher bid, Bell might make a significant profit, the analyst said.

Mr. Grantham also dismissed criticism by U.S. analysts that Bell Canada should have expanded into high-technology, unregulated businesses where potential returns are greater.

In a letter to shareholders, TransCanada's board and its directors and senior managers would not tender their shares to Bell. The board and its financial adviser had found that premiums paid in virtually all takeover bids that they reviewed "significantly exceeded" Bell's offer.

Bell says its offer "was a premium over market" and that Dome Canada "thought it was a reasonable offer," according to a Bell spokesman, David Orr. He said, "All we have done is make a secondary offer to interested shareholders; our offer stands."

## Airlines Try To Adjust

(Continued from Page 13)

Braniff and Alitalia, have gone under, the victims of too rapid and too costly expansion in highly competitive markets.

For those carriers that have hung on, the competition has forced a broad re-examination of fares and flight schedules. And most of the older, bigger airlines have at the same time strengthened their hub systems, channeling more traffic, and hence more connecting flights, through airports where they have a competitive edge.

But more important, deregulation has touched off a serious wave of labor cost-cutting, with the old line carriers wringing concessions from their unions in an attempt to match the rock-bottom operating costs that have allowed the discount carriers to exist.

"What deregulation has done is taken the veil off management and exposed the strengths and weaknesses of the various strategies," said Michael E. Levine, president and chief executive of New York Air.

However, Mr. Levine, other airline executives, analysts and economists say it is difficult to isolate the effects of deregulation from the impact of other economic events of the last five years, such as the recession, soaring interest rates and a tripling in the price of jet fuel.

Opponents of deregulation are fond of pointing out that the major carriers lost \$1.2 billion in the years since they have been deregulated.

But Julius Maldutis, an airline analyst for Salomon Brothers, notes that one could also make the argument that "even without deregulation, the industry's financial problems would probably have been just as severe."

He contends, for instance, that for the last five years the industry has suffered from about 20-percent overcapacity because it went on a binge of buying jumbo jets in the 1970s expecting that its strong traffic growth would continue. Instead, that growth, which peaked in 1979 with 317 million paying passengers, dropped sharply. In 1980, there were 297 million paying passengers, then 285 million in 1981. There was a slight recovery in 1982, to 293 million.

At the same time, the industry did little to reduce the number of planes it was flying.

In an effort to fill those empty seats the industry resorted to heavy discounting.

The analysts and executives agree, however, that deregulation did accelerate the trend toward discount fares. As new carriers began flying in key markets across the United States, their main strategy for attracting customers was lower fares. And the result was often bitter fare wars.

But even after five years, the 14 new carriers that are commonly acknowledged as the products of deregulation are carrying only 2.4 percent of the total traffic, according to a recent analysis made by the Air Transport Association, the trade group.

That number, however, may underestimate the market impact of the new carriers. "Though they are only 2.4 percent of the domestic marketplace," said C.E. Meyer Jr., president and chief executive of IWA, "they participate in almost one-third of the routes. By doing so they set the fare standard and the other carriers have to adapt to that."

## CBS Pulls Out of U.S. Group Offering Cable TV Services to U.K.

By Kathryn Harris  
Los Angeles Times Service

HOLLYWOOD — In yet another retreat from cable television, CBS Inc. says it has pulled out of a six-month-old agreement with Columbia Pictures Industries Inc., Home Box Office Inc. and 20th Century-Fox Film Corp. to offer cable-programming services to the United Kingdom and other countries.

CBS decided late last week that foreign pay-TV ventures did not fit in with the company's business plan, according to CBS Broadcast Group's vice president, George Schweitzer.

"As a broadcaster, we have different priorities than the studios do," he said Thursday, adding that the CBS withdrawal is "no knock at all on the venture," and "involves no strain at all" between CBS and the three other American companies — each of which is participating with CBS in other businesses.

The Home Box Office president, Frank Biondi Jr., said that he was not sure whether a new partner would be sought to replace CBS, or whether the remaining partners would divide the CBS stake.

CBS last year formed a new motion picture company, called TriStar Pictures, with HBO, a unit of Time Inc., and Columbia Pictures, a subsidiary of Coca-Cola Co.

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wound up  
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baskets  
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troubles":  
Hamlet  
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77 Excite  
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Great Lakes  
81 Witty saying  
83 Soup made  
with oka pods  
88 Dallas campus  
letters  
89 City inside  
Houston

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## DOWN

12 Interwives  
13 Mah-jongg  
counter  
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33 Monte Carlo's  
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34 Cat man's  
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36 Sister's uphill  
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37 Hindu musical  
form

38 Neptune or  
Phuto

41 Language  
branch  
including  
Sanskrit

42 Combiner  
meaning  
"comb"

43 Amas  
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34 Cat man's  
requisite

36 Sister's uphill  
assister

37 Hindu musical  
form

38 Neptune or  
Phuto

41 Language  
branch  
including  
Sanskrit

42 Combiner  
meaning  
"comb"

43 Amas  
precoader

44 Stiffs

33 Monte Carlo's  
at—  
quarante

34 Cat man's  
requisite

36 Sister's uphill  
assister

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form

38 Neptune or  
Phuto

41 Language  
branch  
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Sanskrit

42 Combiner  
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"comb"

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precoader

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33 Monte Carlo's  
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42 Combiner  
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precoader